ANNUAL REPORT

GEO. A. HORMEL & COMPANY / AUSTIN, MN 55912 / *FISCAL YEAR ENDED OCT. 27, 1984*

Hormel

COMPANY MISSION

"To be a leader in the food field with highly-differentiated quality products that attain optimum share of market while meeting established profit objectives."

Company Mission

"To be a
leader in the
food field with
highly-differentiated
quality products that attain
optimum share of market
while meeting established
profit objectives."

Hormel

Financial Highlights

	1984	1983
Net Sales	$1,454,527,000	$1,417,705,000
Net Earnings	$ 29,492,000	$ 27,897,000
Per Share of Common Stock	$ 3.07	$ 2.90
Percent of Sales	2.03%	1.97%
Dividends to Stockholders	$ 9,991,000	$ 9,606,000
Per Share of Common Stock	$ 1.04	$ 1.00
Capital Additions	$ 21,529,000	$ 20,272,000
Depreciation	$ 27,056,000	$ 26,410,000
Working Capital	$ 106,332,000	$ 95,403,000
Stockholders' Investment	$ 283,362,000	$ 263,861,000

About the Company

Geo. A. Hormel & Company, founded by George A. Hormel in 1891 in Austin, Minn., is a federally-inspected food processor engaged in the processing of livestock into meat and meat products; the production of a variety of prepared foods, and the marketing of those products throughout the United States.

The principal products of the Company are meat and meat products which are sold fresh, frozen, cured, smoked, cooked and canned. The products of the Meat Products Group include fresh and frozen meats, sausages, hams, wieners and bacon. The Prepared Foods Group products include canned luncheon meats, stews, hash, chilies and meat spreads.

The Company's products are sold in all 50 states by sales representatives operating in assigned territories coordinated from district sales offices located in most of the larger United States cities and by brokers and distributors who handle carload lot sales.

The Company has manufacturing plants at Austin, Minn.; Fremont, Neb.; Ottumwa, Iowa, and Springfield, Mo., that slaughter livestock for processing. In addition, processing plants are located in Algona, Iowa; Austin, Minn.; Beloit, Wis.; Dallas, Texas; Davenport, Iowa, Fort Worth, Texas; Houston, Texas; Knoxville, Iowa; Oklahoma City, Okla.; Renton, Wash.; Stockton, Calif.; Tucker, Ga., and Wichita, Kan.

Hormel also operates 11 distribution centers located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. Their main function is to provide a dry and cold storage facility for the distribution of products to local market areas.

Hormel also operates in international areas, including the Philippines, Japan, Dominican Republic and in various European countries through Hormel International, a wholly-owned subsidiary.

There are numerous trademarks which are important to the Company's business. The more significant, commonly-known trademarks are **Hormel, SPAM, Dinty Moore, Mary Kitchen, Cure 81, Curemaster, Black Label, Di Lusso, Little Sizzlers** and **Wranglers.** Product names appearing in boldface in this 1984 Annual Report to Stockholders are trademarks of Geo. A. Hormel & Company or its subsidiaries.

Hormel employs nearly 7,000 people and has approximately 5,000 stockholders.

R. L. Knowlton, chairman of the board, president and chief executive officer.

The President's Letter

Exceptional performance throughout the organization resulted in improved earnings being recorded for this past fiscal year in an industry that continued to operate in extreme financial difficulty. Therefore, Company results were "special," particularly in view of the fact that we operated during most of the year without wage parity.

It should also be noted that both demand and meat consumption continued downward for the third consecutive year. This contributes strongly to the intense competitive pressures that have adversely affected margins throughout the red meat industry.

While net earnings increased above the previous year, they fell short of Company goals for return on investment. Noteworthy during the year was the very fine marketing performance established by the Prepared Foods Group and Meat Products Group. Aggressive plans, which included continuous sales campaigns, increased advertising budgets and well-designed promotions, resulted in substantial volume and earnings improvement for Company value-added, consumer-oriented product lines.

The longer-term objective for the planned transition from commodity-oriented to value-added, consumer-branded products was accelerated during the year. Significant volume increases in consumer franchise product lines more than offset dollar sales lost when the contract for the beef plant in Huron, S.D., was not renewed, as second-shift hog slaughter in the Austin (Minn.) plant was discontinued, and when pork processing at the Ottumwa (Iowa) plant was closed for a six-week period. Despite these occurrences, both total dollar sales and tonnage volume increases set new Company records at year-end.

New product lines, such as **Old Smokehouse** Bar-B-Q sauce, **Great Beginnings** meat chunks and gravy, **Frank 'N Stuff** franks with **Hormel** chili and **Light & Lean** ham, accompanied by the aggressive repositioning of many established products, were integral to sales increases.

In the latter part of the fiscal year, the Company acquired Dold Foods, Inc., Wichita, Kan., a specialized processor of ham and bacon products. The brand name **Gold 'N Lite** was purchased from Aunt Yvonne's, a Midwest-based frozen foods firm. Using this trademark, Hormel will introduce consumer-packaged products for the fast-growing snack and hors d' oeuvres market.

The continuing requirement for a strong organizational structure with a planned succession of management continues to receive high priority. Consistent with the Company's objective to place additional emphasis on marketing, Stanley E. Kerber was elected senior vice president and assigned marketing responsibility for the total Meat Products Group. James DiNicola, general manager of the Austin plant, succeeded Kerber as vice president of meat products sales.

To accomplish important growth and continued development for our International Division, Raymond J. Asp, executive vice president, was given responsibility to develop and structure an organization that will make a major contribution to the corporation in the important international markets. Additional support and talent will be directed into this area in a concerted effort to accomplish that objective.

To assure succession of management in our important Prepared Foods Group, James E. Hall was named group vice president while Robert F. Patterson was appointed vice president for the Grocery Products Division. Early in the year, Charles D. Nyberg, general counsel and corporate secretary, was elected a vice president. In July, David A. Larson was advanced to vice president of human resources, succeeding Robert M. Gill, who ended 35 years of loyal and exemplary service.

DeWalt H. Ankeny, Jr., president and chief operating officer of First Bank System, Inc., Minneapolis, Minn., joined the Hormel Board of Directors, filling the vacancy created by the resignation of Donald R. Grangaard, also a former officer with First Bank System.

Although certain unsettledness was experienced as a result of the need to establish a new labor package, new agreements are now in place for the next two years at all major Company plants with the exception of the Austin facility. While the new contracts are bold and the commitment above others in the industry, the Company believes that together it will be possible to achieve the results necessary to justify the difference.

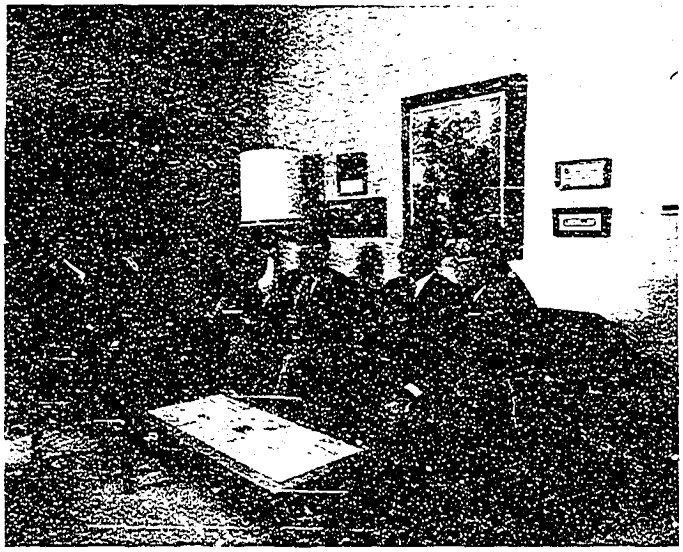
We have emerged with competitive strength in the industry. It is our goal to position the Company as a leading consumer-oriented food processor. Despite the difficulties of the industry, the Company has identified sufficient opportunities to be both encouraged and enthused for the future. Our people are poised and determined to develop products and market shares necessary to earn that leading position.

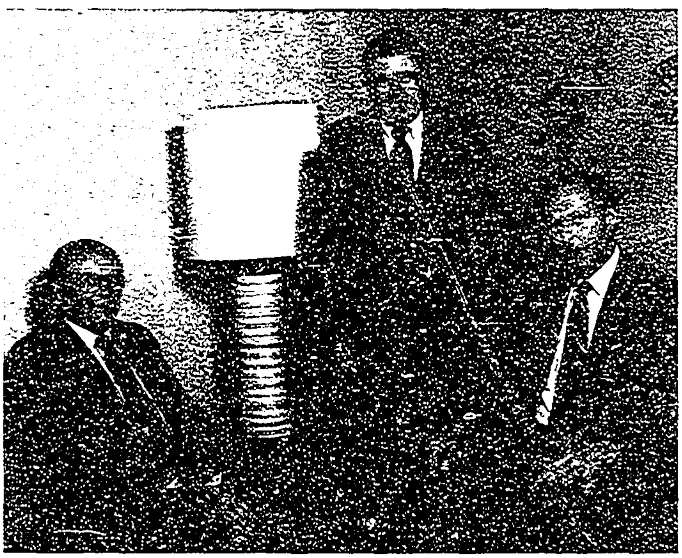
I am pleased to have this opportunity to thank our employees, stockholders, producers and customers for their part in making it a successful year for the corporation.

R. L. Knowlton

R. L. KNOWLTON
Chairman of the Board
President
Chief Executive Officer

A colorful night-time view of the Company's Austin (Minn.) plant





Top photo (left to right) R L Knowlton, chairman of the board, president and chief executive officer, Frank M Brown, vice president, Engineering, James N Rieth, vice president, Strategic Planning and Development, and David A Larson, vice president, Human Resources.

Bottom photo (left to right) Robert F. Potach, group vice president, Administration, Richard W. Schlange, controller, and Raymond J Asp, executive vice president, International and Trade Relations

The Year in Review

Geo. A. Hormel & Company's overall performance in fiscal 1984 was creditable considering the adverse conditions and the increasingly complex industry environment which has posed new and more difficult challenges each year. Although sales rose only slightly, the year-end total was an all-time Company record, as was the tonnage volume which showed a five percent increase. The important improvements in sales and volume provided the base for advanced earnings which finished as third highest in the Company's 93-year history.

During the year, efforts to reduce costs and increase efficiency were sharply intensified. Still, the unfavorable competitive pressures that prevailed in an already troubled industry slowed the excellent financial progress that the Company had recorded in the first six months.

The entire industry continued to operate through a year of financial turmoil with most companies seeking or having already attained relief from non-competitive labor costs. However, it wasn't until near fiscal year-end that Geo A. Hormel & Company successfully reached agreement with many of its major plants that resulted in modified adjustments in wages and benefits. Although the new labor pact narrowed the obvious labor-cost disparity, the Company nevertheless provided its production employees with a total compensation package that has been described by international union representatives as "far superior" to anything negotiated in the packing industry over the past four years.

The Company's performance, attained in this tumultuous environment, resulted from a number of factors. Aggressive research and development and capital investment contributed to strengthening the Company's technological base and improving overall manufacturing performance. Vigorous Company-wide programs aimed at increasing quality of products and enhancing productivity also showed good progress while the introduction of new, value-added products in each of the Company's operating groups helped establish important market positions.

In the end, Hormel emerged from this difficult year as a strong company with products that are brand leaders in the markets in which they compete; with the financial resources to take full advantage of new marketing opportunities, and with the determination to retain its momentum as one of the most successful companies in a highly-competitive industry.

Dollar Sales Set Record

Sales dollars for the 52-week 1984 fiscal year climbed to a new record high after a two-year decline. Net sales totaled $1,454,527,000, up slightly from the $1,417,705,000 reported the previous year and an improvement of $20,561,000, or 1.4 percent, over the previous record established in 1981. The increased sales dollars were achieved despite the volume loss experienced for a six-week period when slaughtering and major processing operations were suspended at the Ottumwa (Iowa) plant and a second-shift hog processing line discontinued at the Austin (Minn.) plant. In addition, the Company's custom beef slaughtering agreement with Flanery Meats, Inc., Huron, S.D., was terminated at mid-summer.

Hog supplies were significantly reduced in 1984 because of the drought experienced last summer in major Midwest grain producing states. In addition, the government's Payment-in-Kind (PIK) program contributed to a further reduction in feed grains.

Net Earnings Increase

Net earnings for the year totaled $29,492,000. This represents an increase of $1,595,000 over fiscal 1983 earnings of $27,897,000. Earnings per share equaled $3.07, an increase of 17 cents per share over 1983 earnings of $2 90. First quarter earnings were a near record high for the Company

while second quarter results, although an improvement over the previous year's 13-week period, dropped significantly. Earnings for the subsequent two quarters also trended downward, falling below the corresponding periods of fiscal 1983, as the Company found it increasingly difficult to compete without the benefit of lower wage and benefit rates already in place throughout the rest of the industry.

The reduced demand for fresh pork resulted in excess slaughter capacity and caused pork margins on commodity-type products to be among the poorest ever recorded in the industry. The Company responded by continuing to shift its business and emphasis to the development of new value-added, consumer-branded products which not only command higher margins but are less affected by cyclical swings.

Depreciation of $27,056,000 was charged to operations during the year, an increase of $646,000 from fiscal 1983 when this figure totaled $26,410,000.

Capital Expenditures

Capital expenditures, an important measurement for the future, totaled $21,529,000 for fiscal 1984. This reflected an increase of $1,257,000 from the $20,272,000 spent on property, plant and equipment in 1983 and a sharp reduction from the $148,866,000 expended during the previous two-year period.

The large capital expenditures of prior years supported important investments in new plants and equipment and needed productivity improvements that are now benefiting virtually every Company manufacturing facility or distribution center. Although this particular growth program has largely been completed, current investments are also strengthening the Company's resource base. Manufacturing areas and processes have been upgraded and advanced technology introduced in order to reduce costs, increase operating efficiencies, expand production capacity and improve product quality.

Integrating or complementary acquisitions are also an important part of the Company's growth strategies. The mid-summer purchase of Dold Foods, Inc., allows Hormel to capitalize on the strengths and benefit from synergies between the business operations of the two companies.

Headquartered in Wichita, Kan., this firm specializes in the processing and packaging of more than 50 varieties of ham and bacon. The principal products are sold nationally to food service and retail customers. In addition, Dold Foods has developed a solid reputation as a manufacturer of private label ham and bacon products.

In the first full year of operation following the acquisition of Farm Fresh Catfish Company, Inc., in March, 1983, Hormel completed construction of a new processing facility, redefined marketing strategies and purchased an additional catfish firm.

Farm Fresh facilities in Greensboro, Ala., and Hollandale, Miss., were augmented at mid-year by the completion of a 20,000 square foot processing plant in Lake Village, Ark. In addition, the conversion to new highly-automated fish filleting lines was completed at each plant while renovation of existing materials handling equipment in Greensboro and installation of a major sewage treatment operation in Hollandale were also completed during the year. Construction on a 10,000 square foot addition to the Hollandale plant is nearing completion.

A new retail line of frozen catfish products was introduced near the end of the Company's fiscal year, supplementing the already familiar varieties of fillets, steaks, nuggets and whole fish products. A colorful and attractive new logo was created to maximize consumer recognition of the new products.

Increasing its venture into aquaculture, Hormel acquired Country Fresh Catfish Company, also headquartered in Greensboro. Fixed assets of the firm were purchased and Country Fresh sales are now brokered through nearby Farm Fresh Catfish Company.

Despite difficulties experienced by the entire catfish industry in 1984 due to overcapacity, Company market share increased by nearly 50 percent. With improved marketing techniques, a more diverse product line and the addition of Country Fresh Catfish Company, Hormel now controls a major segment of the domestic farm-raised catfish market. The year ahead will undoubtedly lead to additional product development and a movement into further-processed, value-added products, particularly in the retail frozen foods area.

Cash Dividends

Early in the fiscal year, the Board of Directors authorized an increase in the Company's common stock from $1.00 per share to $1.04 per share, a gain of four percent. The new rate became effective on February 15, 1984, with a quarterly dividend of 26 cents a share paid to stockholders of record January 21, 1984. This action, representing the 16th consecutive annual increase, extends to 56 years the Company's record of uninterrupted quarterly cash dividends.

Total dividends paid and accrued in 1984 amounted to $9,991,000, compared to $9,606,000 the prior year. Total return (stock price appreciation plus dividends) to investors of Geo. A. Hormel & Company common stock for the 10 years ended in 1983 equaled 18 percent annually.

Pension Trusts

The Company's provision for current and past services for the Employee Pension Trusts was $13,040,000 for the year. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

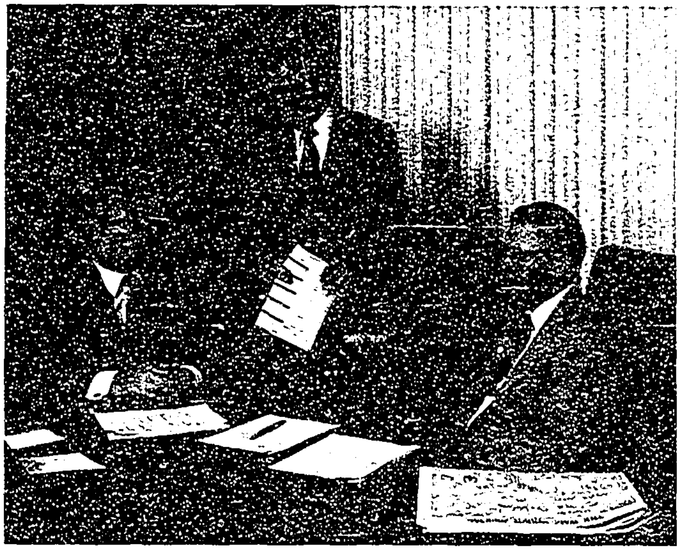
Company management objectives extend beyond mere growth and focus also on achieving high levels of return on investment. By fiscal year-end, stockholders' investment had risen to $283,362,000 from $263,861,000 on October 29, 1983, an increase of $19,501,000, or 7.4 percent. The book value of the 9,606,516 shares of common stock issued and outstanding rose to $29.50, up $2.03 from the $27.47 reported the previous year

Total assets again increased, reaching a new record high of $525,322,000, an improvement of $12,763,000 over the previous record of $512,559,000 set just last year. Further improvements were also made in the amount of working capital required to support the Company's business. The total at year-end was $106,332,000, an increase of $10,929,000, or 11.5 percent from the fiscal 1983 amount of $95,403,000.

Corporate Debt

There was no long-term debt issued in 1984 and, based upon future projected cash flow, funds needed to operate the business will be generated internally.

The Company does plan to redeem the $25 million in



Left to right: Walter B. Stevens, assistant treasurer, Finance and Bank Relations; Robert J. Thatcher, vice president and treasurer, and E. C Alsaker, retired December 31, 1984, as senior vice president and treasurer.

nine percent notes due June 15, 1985.

In addition, Geo. A. Hormel & Company has previously sold $50 million of Three-Year Extendible Notes which bear interest at an annual rate of 13.25 percent through August 31, 1985. The Company has the option of adjusting the interest rate to a level no lower than 102 percent of three-year treasury securities or can redeem the notes, in whole or in part, on the date of any interest rate adjustment at 100 percent of the principal amount plus accrued interest. Holders have the right to require the Company to redeem on any adjustment date.

Unless previously redeemed, the notes mature September 1, 1994.

Industry Pattern Changes

The pork segment of the nation's meat industry continued to operate in an environment characterized by bankruptcies, corporate spin-offs, plant closings, strikes and lockouts. The upheaval and general unrest resulted in the development of a multi-tiered wage and benefit scale which left Hormel alone as the only major packer still operating pork abattoirs at the former national pattern wage rates. In many cases, the Company's total compensation costs per employee amounted to nearly $10 per hour higher than that of its competitors. The Company was left at a severe disadvantage as its ability to market products on an equally competitive basis with others in the industry was lost.

Needed relief was gained late in the year when agreements were successfully reached at many of the Company's plants represented by local unions affiliated with the United Food & Commercial Workers (UFCW) union. The new wage and fringe benefit package has since been praised by UFCW international officials as being the very best industry-negotiated labor agreement in a four-year period. Although Hormel remains at the top end of the employee wage/benefit scale, the disparity in labor costs has been reduced and the once-glaring competitive disadvantage lessened. At the same time, the Company takes pride in being able to follow through with its previously-stated intent of providing production employees with a compensation package unequaled anywhere in the industry.

Specific language in the Austin plant agreement allows the Company to adjust wages and benefits to meet new national pattern changes. This contract provision was implemented in October and the reductions which followed kept wages at the Austin plant comparable with those of other major meat packers. Implementation of the wage cuts has since been contested by Local P-9 of the UFCW and the issue has been submitted for binding arbitration. Concerted efforts continue to ensure that all hourly and salaried employees understand that the Company is engaged in a very real and vigorously competitive environment and that every single factor affecting performance is important.

Hormel employees remain dedicated to the fundamentals of quality and value in the products they make. Given the resources and opportunity, there is no challenge which the Company cannot meet with the help of its employees. Hormel remains an equal opportunity employer. Within the framework of this policy, the practice of hiring and dealing with all employees on the basis of qualifications and without regard for race, color, religion, sex, national origin, age or handicaps continues.

International Operations

Geo. A. Hormel & Company continued to strengthen its position in fiscal 1984 as an international enterprise through its wholly-owned subsidiary, Hormel International Corporation.

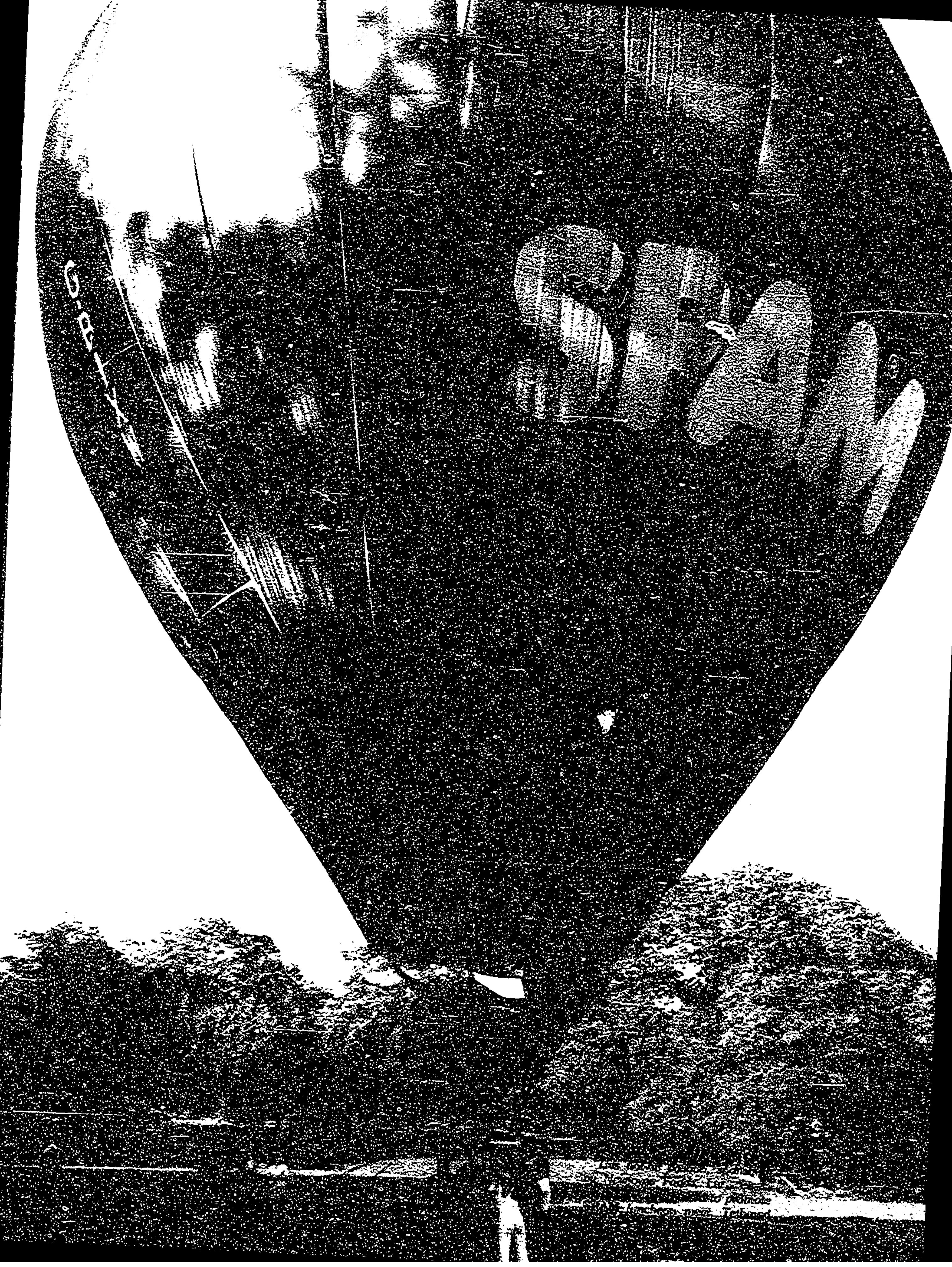
During the year, new technical service and licensing agreements were established with Renown Food Products Corporation of the Republic of South Africa and with HaiTai Confectionery Company, Ltd., of the Republic of South Africa. In addition, Hormel International Corporation is negotiating a technical service, licensing and equity position with a Mexican-based company.

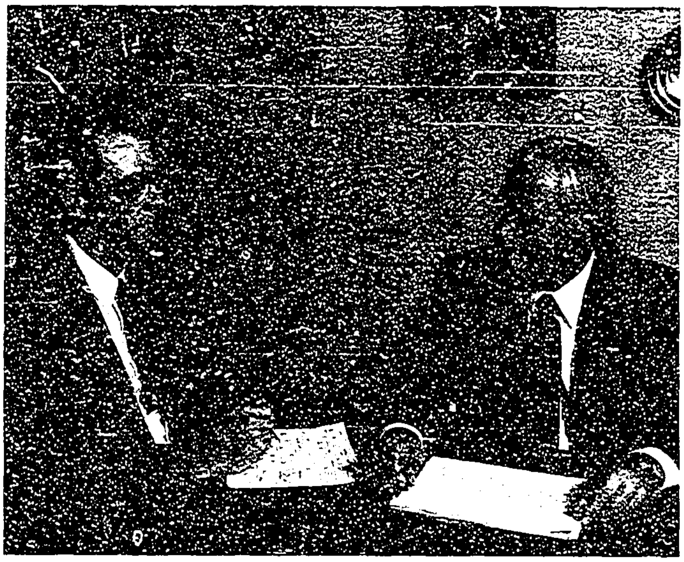
Hormel branded products, both canned and processed meats, are currently produced in five overseas locations. Sales and market share increased substantially in the United Kingdom, the Philippines and Japan, while more modest gains were registered in Australia. Creative marketing programs were major factors behind the sales volume increases.

The continuing strength of the U.S. dollar and a sagging world economy have had a negative impact on export sales. Both the commodity and branded product groups experienced pricing pressures directly attributable to unfavorable foreign exchange rates in certain markets.

Vista International Packaging, Inc., based in Kenosha, Wis., proved to be the outstanding performer for Hormel International Corporation. As a wholly-owned subsidiary, this firm specializes in the customizing of tubular packaging used in the food industry. Vista International enjoyed record sales in fiscal 1984. Another strong year is projected for 1985.

Near the end of the fiscal year, the Company announced plans to aggressively pursue additional overseas expansion. Hormel products, also well-recognized outside the United States, provide promising new business opportunities in many well-developed foreign markets. Hormel International Corporation is committed to examining carefully those markets which offer optimum overseas growth potential.





Left to right: Robert G. Wells, vice president, Pork and Beef Divisions, and William R. Hunter, group vice president, Operations

Operations Group

"The Operations Group has been both responsible and anticipatory in its commitment to Company mission objectives. It has encouraged innovation and development of new products through the introduction of production support technology and high automation.

"Implicit in this commitment has been an absolute dedication to uncompromising quality. New processes, increased efficiencies and state-of-the-art technologies have enabled us to measure up admirably. In addition, we continue to exercise tight controls on all aspects of operating expenses, seeking out new ways of controlling costs while carefully managing Company assets.

"The manufacturing segment of our business has never been in closer contact with marketing and research and development areas of the Company. We constantly study and evaluate the needs of consumers and then use those opportunities and challenges to develop new products which fit today's family eating habits."

WILLIAM R. HUNTER
Group Vice President
Operations Group

To remain in the forefront of the food industry, clearly-defined strategies help distinguish Geo. A. Hormel & Company from its competition. The Operations Group, in support of the statement of action, or corporate mission, performed the basics of food processing with utmost skill during fiscal 1984 as it utilized innovative technology and equipment to arrive at important cost- and labor-savings and the attainment of optimum product quality.

Completing its first full year under the reorganization plan announced late in fiscal 1983, the Operations Group's expectations for better communications and greater effectiveness were fully realized. The new-found ability to exchange knowledge and expertise among all production facilities contributed to greater cost effectiveness, better yields and a more highly-coordinated Group effort.

Another step toward greater productivity and versatility was provided by the mid-July acquisition of Dold Foods, Inc. The Wichita, Kan.-based firm is a specialized processor of sliced and bulk sliced bacon, Canadian-style bacon, dry and water-added boneless hams and bone-in hams. In the transaction, Hormel obtained not only an excellent 65,000 square foot processing facility, but a variety of well-known brand names, including **Dold, Butcher Boy, He-Man, Belmont Brand** and **Harvest Brand.** In addition to continuing with the production of the Dold family of ham and bacon products, the new acquisition also provides expanded manufacturing capacity for several lines of Hormel branded smoked meat items.

Throughout the year, Hormel extensively employed other regionally-based food manufacturers to supplement Company production during peak periods. The carefully-chosen firms supplied products which complied fully with the Company's rigid standards. Quality control technicians monitored closely all outside production to ensure that the products would carry and promote the Hormel reputation for excellence.

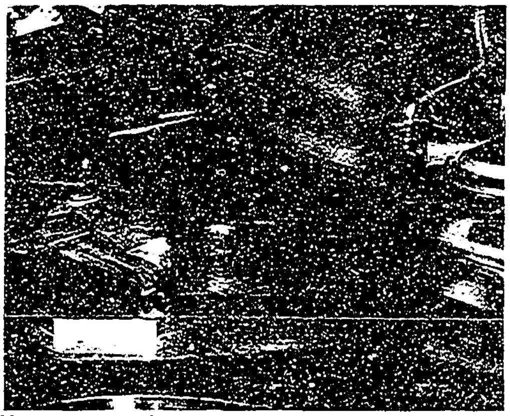
World of Robotics

In the exciting world of robotics, Hormel is quickly gaining distinction as being a high-tech pioneer. Engineers have developed robots to perform such duties as lifting bulk luncheon meat cans into retort crates, placing picnic hams into automatic deboning machines, bacon slabs into a molding machine and transporting packaging materials from one area of the vast 1,089,000 square foot Austin (Minn.) plant to another. In the immediate future, robots will be created to handle the more difficult tasks of pulling pork loins and splitting carcasses. Long-term, Company engineers envision robots having the ability to perform cutting operations to exacting specifications, resulting in maximum returns and a new optimal yield from each individual carcass.

Pigskin sales continued to add to carcass values in 1984. During the year, nearly every hog received at one of the Company's major plants — Austin, Ottumwa (Iowa) or Fremont (Neb.) — was skinned and the hides sold to foreign or domestic tanners for processing into pigskin leather goods. The tanned hides are used for all types of leather items, including fashionable shoes, belts, handbags and clothing and upholstery fabrics.

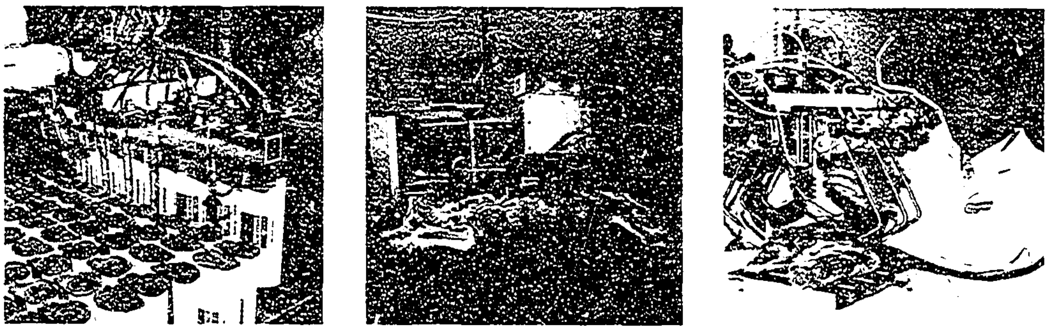
Extremely poor pork margins existed throughout much of the fiscal year. In an attempt to compensate for the unsatisfactory returns, the Operations Group participated in the total Company campaign to reduce overall operating expenses by 10

The process of bringing food to the nation's dinner tables begins with the farmer; as such, America's farms serve as the source of the Company's raw materials.



New vacuum-packaging systems now in operation.

Improvements made in grade-and-yield program



Engineers have developed robots capable of performing a myriad of important in-plant production operations

percent. First announced in late 1983, one of the subsequent cost-cutting moves involved a reduction in the number of hog buyers procuring hogs for Hormel. The result was a concentration of efforts as each buyer became responsible for purchasing greater numbers of hogs in his immediate area.

Major revisions in the grade-and-yield and merit hog buying systems occurred early in the year as Hormel became the first national packer to adopt a buying program specifically designed to more adequately reward pork producers for breeding lean, meat-type hogs The innovative program pays higher premiums for lean, medium-weight hogs and imposes strict discounts for those failing to meet the Company's high standards for both carcass weight and leanness.

Precooked products continue to meet with increasing favor by cost- and quality-conscious consumers and food service operators. A new line of sausage items has joined the tremendously-successful precooked bacon products. In Oklahoma City, Okla., a recently-installed system, scheduled for full production in early 1985, will process a wide variety of fresh pork sausages, including skinless and collagen casing items. The new procedure will be able to precook patties and related fresh pork products — a concept that is expected to dramatically augment current sausage volumes.

In the bacon area, a new precooked line was installed in the Atlanta (Ga.) plant. A second line was added to the Austin plant facility. Also engineered for use in Austin was an automated precooked bacon handling system which will provide for conveyorized operations from slicing to packaging.

The innovative hot processing line in Ottumwa proved successful in the production of high-quality breakfast sausage links. The process utilizes raw pork materials within one hour of slaughter, eliminating the conventional chilling of meat.

Packaging Breakthroughs

New vacuum-packaging systems for premium Hormel hams and dry sausage products are being installed in five Company plant locations. In Austin, Ottumwa, Fremont, Atlanta and Dallas, Texas, a newly-developed process and utilization of a high-gloss packaging material will provide for a more attractively-packaged **Cure 81** ham and **Curemaster** ham. A tighter vacuum offers the promise of extending shelf life and color stability

A modified vacuum-packaging system is applied to dry sausage items. The "dry room" flavor is sealed and the atmosphere-controlled product reaches the consumer at the very peak of freshness.

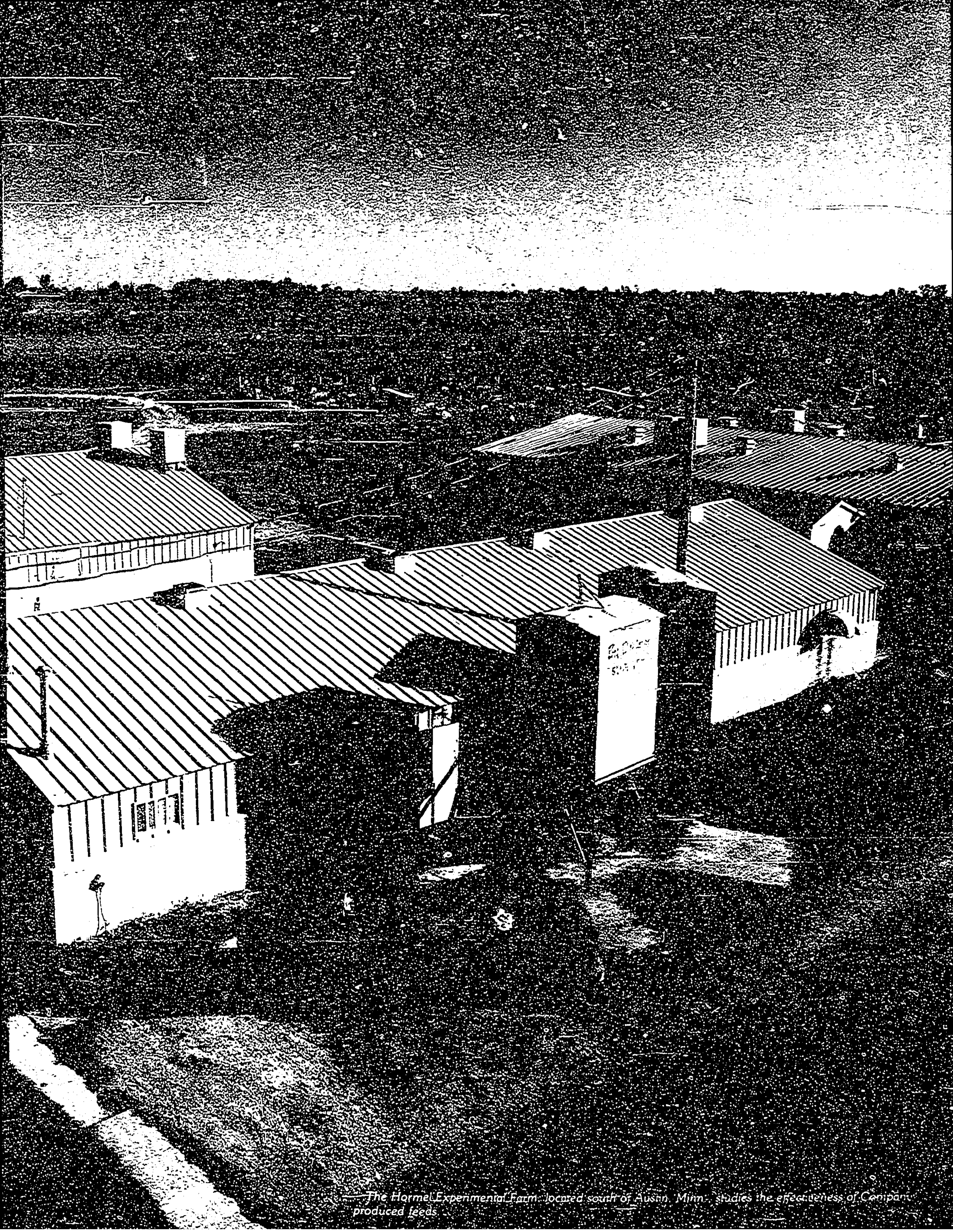
Vacuum-packed fresh pork is viewed as a very significant marketing breakthrough for the entire industry. New packaging lines at each of the Company's three major plants offer assurance that the variety of whole loins, spareribs, shoulder butts and boneless hams reach both the retailer and food service operator and, ultimately, the consumer, in a superior condition. The fresh pork merchandising program, marketed under the **Super Select** brand, has earned a solid niche in the marketplace.

A new brine chilling system, installed during the latter part of fiscal 1984, has contributed immeasurably to sizable savings in energy costs and a reduction of the time required to cool meat products for further processing. Although only sausage items are presently cooled in this manner, brine chilling may soon become an accepted part of bacon and ham processing operations.

More Plant Developments

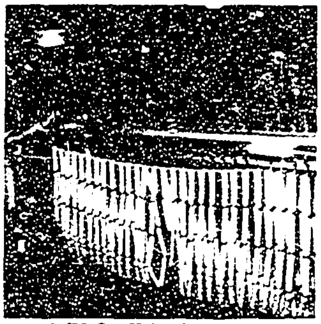
The nearly four-year renovation program at the Stockton (Calif.) grocery products plant was completed in 1984 with installation of a new high-speed production line for **Hormel** chili and **Mary Kitchen** corned beef hash. Manufacturing facilities were modernized and shipping and cooling areas expanded.

Additional capacity for production of **Light & Lean** luncheon meats, the Company's growing line of reduced-calorie, lower-fat products, was brought into use at the Fremont plant early in the year. In Algona, Iowa, increased production volumes necessitated the addition of new cooling and electrical support systems. A pepperoni casing removal machine will be installed in early 1985. In Atlanta, preparation areas for **Dinty Moore** beef stew and **Hormel** chili were updated which then contributed to a production pace more than double the previous year's level.



—The Hormel Experimental Farm, located south of Austin, Minn., studies the effectiveness of Company produced feeds.

Light & Lean *luncheon meats*



Frank 'N Stuff *franks line.*

At the Houston (Texas) meat products plant, Hormel engineers designed and installed a complete system to accommodate production of the newly-developed **Frank 'N Stuff** franks with **Hormel** chili line. In Austin, answering a steadily-growing demand, a new, enlarged cooler doubled production capabilities for **Hormel** prosciutti hams.

Elsewhere, in a concerted attempt to improve yields by reclaiming every piece of usable meat from disassembly line operations, four automatic picnic deboning machines were installed in Ottumwa. At the Knoxville (Iowa) dry sausage plant, a new automatic casing declipper and labeling machine has proven so effective that a second unit is planned for an early 1985 installation.

Refineries Division

Completing its second full year of operation in the new Austin plant, the Refineries Division achieved 80 percent of capacity by the close of fiscal 1984. Tonnage levels exceeded the previous year by 30 percent. The addition of new processing equipment offers the promise of still greater production possibilities in the year ahead.

The most noteworthy development during the year occurred in the Soup Stock Department. The installation of equipment capable of reclaiming the residue of soup stock manufacture and transforming it into a dried, nutritious product, added value to a by-product previously unused. An excellent source of both calcium and phosphorus, the residue has outstanding potential for use by feed manufacturers and the Company's own Feed Division.

Reducing handling and storage costs were also of prime concern for the Soup Stock Department. In pursuit of the need to reduce operating expenses, the feasibility of handling soup stock in bulk form was explored. This resulted in the installation of new equipment designed to transport hot soup stock directly from production areas to a commercial spray drier in temperature-controlled trucks. This avoided the costly and time-consuming task of freezing soup stock in cubes for storage and shipping. Not only were freezing and thawing operations eliminated, but time and handling requirements were correspondingly reduced. These factors, if not carefully-controlled, can produce product deterioration.

The Refineries Division began shipping bulk soup stock at mid-year Currently, just 40 percent of all soup stock production is packaged and frozen; the balance is now handled through this new bulk process.

Mechanically-separated pork, the nutritious by-product of meat recovery operations, continues to await United States Department of Agriculture (USDA) approval before it can be sold in this country. Currently produced at the Ottumwa plant, the product is sold exclusively to foreign markets, principally Canada.

As fiscal 1984 ended, the inedible rendering system at the Fremont plant was in the midst of a major renovation. The replacement of obsolete, time-worn equipment, combined with revised production procedures, will lead to the manufacture of a higher-quality meat meal and inedible grease.

Feed Division

After 30 years of manufacturing and selling livestock feeds, Hormel is now a highly-respected Midwest region feed supplier. In fiscal 1984, the Division registered a 20 percent increase in tonnage. This followed a 26 percent

With acquisition of Dold Foods, Inc., came this modern 65,000 square foot Wichita, Kan.-based food processing facility. A complete line of ham and bacon products is produced here.

improvement recorded one year earlier. Expectations are high that this growth rate can be continued during the ensuing five years.

Backed by a full line of swine, dairy and beef feeds, plus products for smaller livestock and pets, Hormel is now positioned as a complete supplier. The phenomenal growth generated in recent years is attributed to the increasing realization by farm operators that Hormel feeds are quality produced. Presently utilizing one custom feed mill to maximum capacity, this Division visualizes the need to acquire the services of another independently-run mill operation by 1986 to meet its steadily-growing demand.

New product development in 1984 included expansion of the **Basepac** dairy base mixes, specifically in the area of rumen by-pass proteins. These feeds are specially-formulated to produce equal or better gains when fed at the same level as traditional soybean meal formulas. The new **Propass** 60 percent beef supplement has established a firm hold in the marketplace by delivering premium quality at a competitive price. **Basepac** swine base mixes, the foundation product line of the Feed Division, continue to grow and expand.

The territory covered by Feed Division sales representatives has nearly doubled in five years. The sales staff was expanded in 1984 and will be further enlarged in the near future. This increased density of existing sales territories provides more coverage and better service for Company feed customers. Hormel feeds are now sold through 50 independent dealerships throughout southern Minnesota and northern Iowa.

The Hormel Experimental Farm, a real-life laboratory for analyzing the effectiveness of Company-produced feeds, reached its goal for number of hogs produced in 1984. The Farm continues to serve as a primary testing facility for Hormel swine feeds. In addition, the Feed Division conducts important on-farm comparisons with area beef, dairy and swine producers.

Fiscal 1985 Hog Supplies

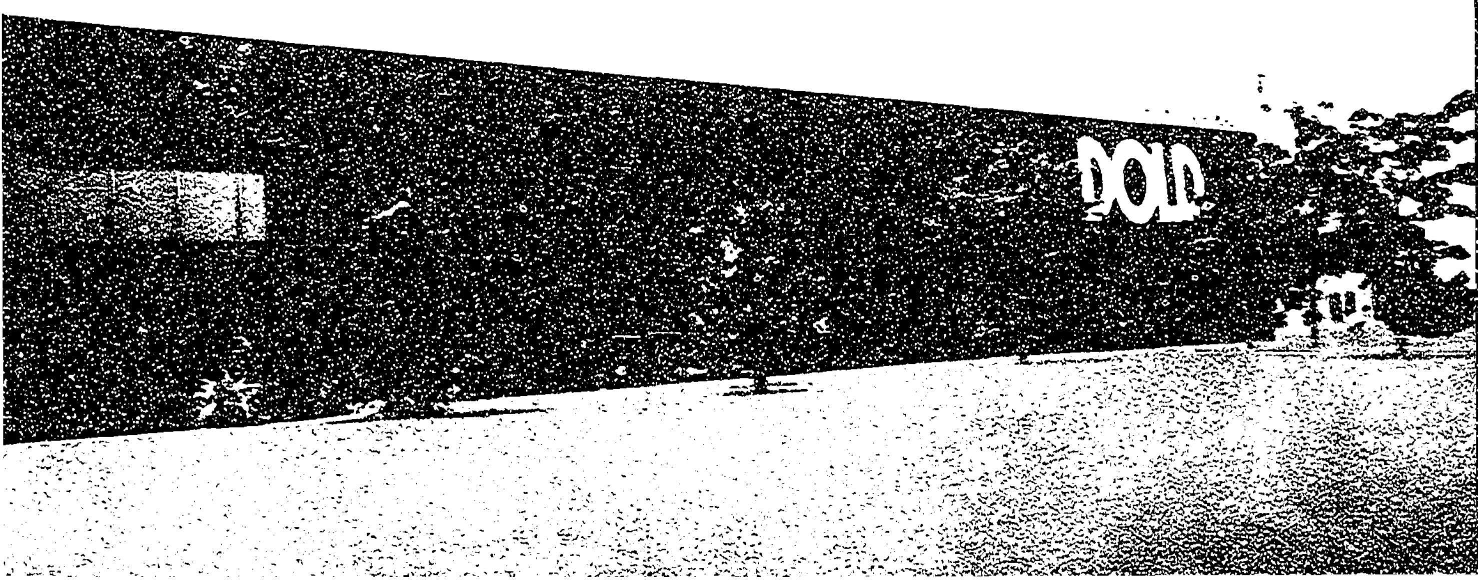
Several factors contributed to fluctuating hog supplies during much of the past fiscal year. At the outset, large numbers of hogs were delivered to the nation's meat packers. These satisfactory quantities were attributed to the severe drought experienced during the summer of 1983 and to the USDA Payment-in-Kind (PIK) program which combined to reduce the corn yields and push grain prices upward. Consequently, early in the year adequate hog numbers were marketed at favorable prices

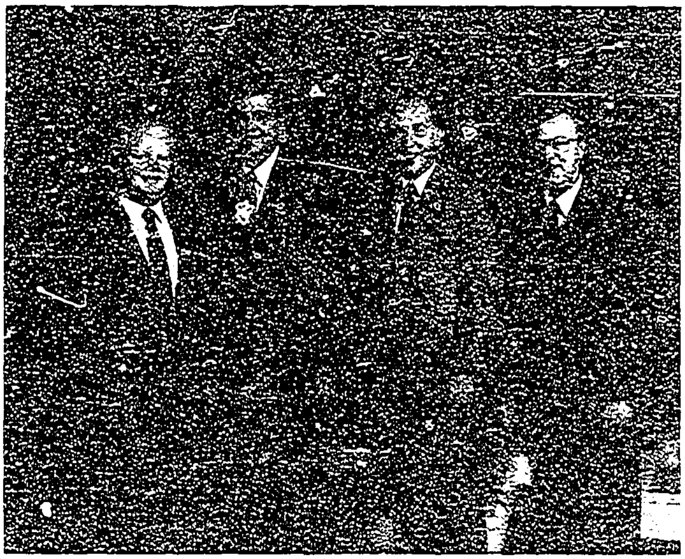
As the year progressed, USDA forecasts suggested that quantities would drop sharply by late summer, approaching a reduction of 10- to 12-percent. Meat processors responded by increasing their inventories of frozen pork in storage. Hog numbers continued to remain high, however, even as these frozen pork supplies were depleted and prices once again returned to more favorable levels.

An excellent 1984 growing season throughout most of America's Corn Belt provided greater incentive for producers to feed grain to livestock. After a slight reduction of about four percent in available hog numbers for the first two quarters of fiscal 1985, supplies are expected to rebound. Numbers for the second half of the current year and into early fiscal 1986 should be similar to those experienced during the corresponding period of the just-concluded year.

Vacuum-packed fresh pork

Dairy base mixes





Left to right James A. Silbaugh, group vice president, Meat Products, James DiNicola, vice president, Meat Products Sales, Stanley E Kerber, senior vice president, Meat Products Marketing, and Marvin F Moes, vice president, Dry Sausage Division.

Meat Products Group

"The successful introduction of new products is vital to attaining objectives of the Meat Products Group which parallels closely that of the Company's mission statement. This past year marked the birth of many exciting new products and the continued development of other product ideas and packaging concepts.

"In addition, there has been strong emphasis given to increasing market shares in several important product categories. This requires attention to packaging improvements, promotional activities, new label designs, retail and distributor programs and increased consumer advertising.

"We are determined to fulfill our role in helping the Company achieve its well-conceived mission objectives. Our strategies encompass every aspect of the business and, in both concept and execution, are directed to assuring a successful result."

JAMES A. SILBAUGH
Group Vice President
Meat Products Group

Studying marketing and demographic trends and reacting to those changes with innovative and unique products and packages, the Meat Products Group demonstrated again its adherence to the many challenges presented through the Company's statement of mission. Fresh and processed meats were improved and existing product lines expanded to include several exciting new additions. Both the food service and delicatessen programs ended the year enjoying dramatically increased attention and popularity.

Greater emphasis was placed on the advertising and marketing segments of the business in response to new management changes announced at mid-year. Recognizing the specialized skills of its top managers, the changes allowed for a more effective coordination of marketing efforts between the Meat Products and Prepared Foods Groups. Immediate benefits were realized as evidenced by the fine year-end results. Meanwhile, research activities utilizing the expertise of Company meat products professionals and outside consulting experts helped identify future opportunities for growth.

Meat: A Food for Fitness

The health and fitness trend continued to gain momentum during the year. Hormel kept pace with the growing healthier consumer attitudes by introducing additional lower-fat, reduced-calorie meat products which do not sacrifice quality, nutrition or taste.

Light & Lean luncheon meats, first introduced in 1982, was again expanded. The 18-variety line of convenient, nutritious meats consists of several types of hams, Canadian bacon, summer sausage, bologna, ham and cheese and breast of turkey favorites

Most items provide 25 percent less fat and 15 percent fewer calories than regular luncheon meats; many offer the benefit of having less than 25 calories per slice. It is expected that these high-quality, satisfying products will draw heightened attention to the Company's commitment to low-calorie foods while increasing both awareness and demand for other Hormel luncheon meats.

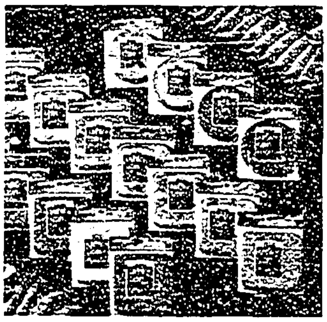
Light & Lean luncheon meats received national attention in late summer as sponsors of the heralded PGA championship near Birmingham, Ala This 66th annual golfing event served as the focal point for an aggressive advertising program Local broadcasts and network television spots promoted **Light & Lean** luncheon meats both before and during the tournament. Newspaper coupon offers in selected markets provided an important added boost to sales.

By helping sponsor such prestigious sporting events, Hormel is able to reach consumers concerned with good health and fitness through exercise and healthy eating.

A celebrated addition to the Hormel family of lower-calorie products is **Light & Lean** ham. In particular, it has great appeal to consumers who are intent on controlling their caloric intake. **Light & Lean** ham contains only 60 calories per two-ounce serving and retains all the flavor and quality traditionally associated with other Hormel hams. The bright, clean label, which includes the now easily-recognized **Light & Lean** trademark, also provides valuable nutritional information for health-minded consumers.

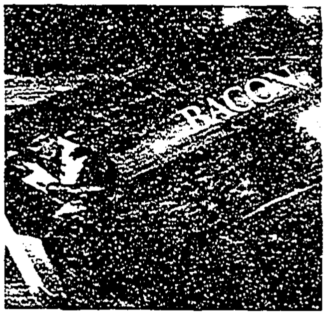
A hard-working advertising campaign designed for **Light & Lean** ham carries the message that ham does not have to be high in calories and that eating right does not have to


BEEF
180 CALORIES
2.8 oz.
FISH
180 CALORIES
3.7 oz.
CHICKEN
180 CALORIES
3.8 oz.
Light & Lean HAM
180 CALORIES
6.0 oz.
Hormel
Light & Lean
Ham
WATER ADDED



Expanded luncheon meat line.

Soon to be in national distribution.



Introduced last fall to retail trade.

mean eating less. Radio and television spots and newspaper inserts compare the caloric content of portions of beef, chicken and fish and stress the fact that 180 calories of **Light & Lean** ham is a more satisfying meal. The success of this new product further substantiates the image of Hormel as *"America's First Name for Ham!"*

Combining the best-tasting frank in America and the number-one selling chili nationally, the Hormel Research and Development Division worked three years to develop the most innovative frank ever made. **Frank 'N Stuff** franks with **Hormel** chili are new all-meat franks with a tunnel of rich **Hormel**

Fastest growing national brand.

chili. Introduced in key retail markets and placed into national distribution for food service operators, this new product is expected to complete its retail introduction by early 1985.

"The only bacon hearty enough to be branded **Wranglers**" entered retail trade at the close of the fiscal year. The market debut followed many months of testing which ultimately led to the development of the lean, thick-sliced, deep-smoked flavor. The warm and colorful package reflects the hearty flavor and taste attributes so readily associated with **Wranglers** smoked franks. A powerful advertising campaign which featured extensive newspaper and coupon programs and a dynamic radio series helped supplement colorful in-store materials and demonstrations.

Ready for introduction at the close of the calendar year were **Broiled & Browned** pork sausages. Using the same principle as precooked bacon, this convenience-oriented product is fully-cooked by a special process

Boneless pork line enjoys substantial growth in sales volume

perfected by Hormel. It is packaged already browned and ready to insert into a microwave oven for quick and easy reheating. In addition to having particular appeal to the food service trade, **Broiled & Browned** pork sausages are a proven time-saver for today's on-the-go homemakers. Development of this new product is expected to pave the way for the introduction of similar precooked pork favorites.

Additions to the popular 11-oz. vacuum-packed chub line were the new **Hormel** hot & spicy sausage and **Hormel** garlic beef sausage. This raises to seven the number of fragrant, hearty sausages now marketed nationally in convenient, consumer-sized packages.

Existing Product Lines

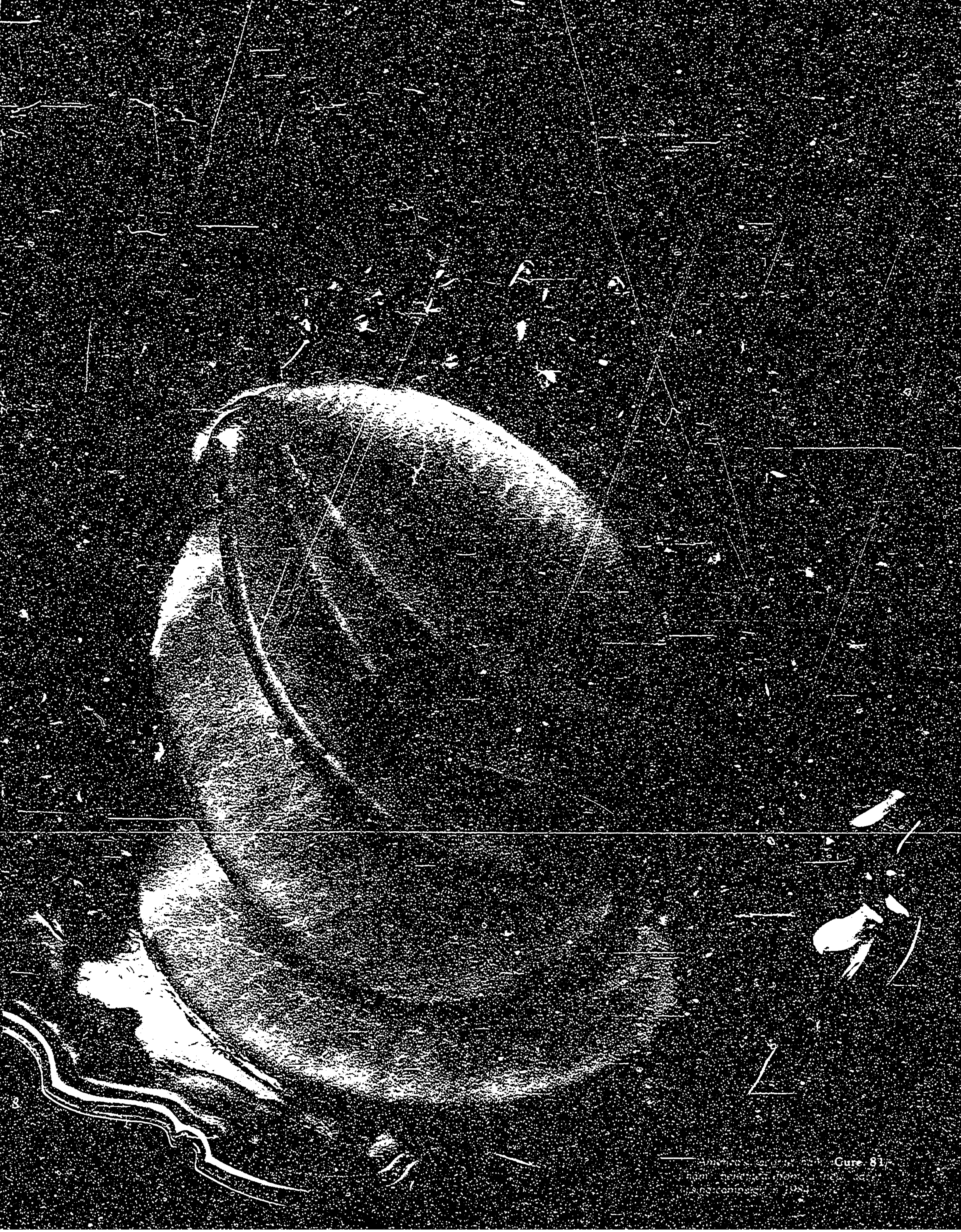
Homeland hard salami, perhaps the most important new product introduction of the Meat Products Group in more than a decade, continues to provide excellent returns, strong growth and expanding market share.

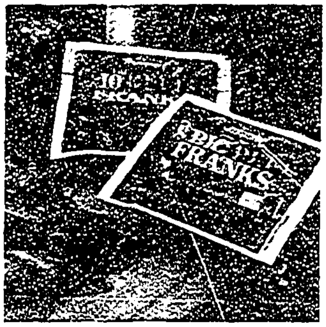
Over three years of careful product testing and more than six months of intensive consumer research and market tests preceded actual market distribution last year. Now in its second full year in the marketplace, acceptance of this newest dry sausage item has been excellent. It has catapulted into position as the second most popular brand of hard salami in America. Sales volumes have doubled and market share has increased twofold. As the fastest growing national brand, category leadership for **Homeland** hard salami is a very real possibility.

America's favorite, **Cure 81** ham benefited from a dynamic new advertising campaign in 1984. Mouth-watering, appetite-appealing photography focused sharply on quality and versatility features of **Cure 81** ham with specific emphasis on the product's key points of difference which separate it from the competition.

Substantial growth was also realized by the **Super Select** boneless pork line. As meat products sales representatives have learned, the high-quality and labor-saving characteristics of the various products — whole loins, shoulder butt roasts, tenderloins and ham roasts — led to improved sales. Retail stores appreciated the many options the lean, tender-fresh pork products afforded them as the knife-ready meats could be sold in their original vacuum packages or quickly sliced into smaller cuts for remarkable merchandising versatility.

Little Sizzlers pork sausage, a product developed in the 1950's, experienced the largest year of sales in its history, increasing 25 percent over 1983. The dramatic rise


Cure 81

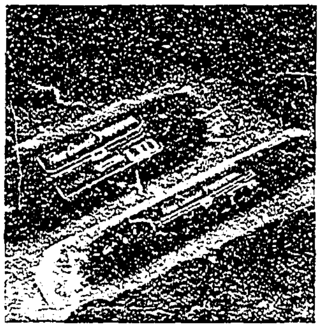


Improved packaging.

Ideal sandwich item.

is attributed to a vigorous promotional program that included renewed emphasis on radio advertising. The skinless fresh pork sausages continue to be well received by retailers and benefit from strong consumer identification. After 30 years, **Little Sizzlers** pork sausage is an idea which has not grown old.

Hormel midget links pork sausage and **Hormel** Country Brand pork sausage, produced only at the Ottumwa (Iowa) plant utilizing a special hot processing technique, enjoyed strong sales increases during the recently-concluded fiscal year. Both products shared the same advertising theme, *"Bring country fresh flavor from Iowa home for breakfast."*



Marketed shelf-stable

Introduced last summer.

New Packaging

Improved packaging accompanied many of the **Hormel** frank products, including **Hormel** 10 franks and **Hormel** 10 beef franks and all three **Wranglers** smoked franks items. In addition, **Hormel** 8 big franks and **Hormel** 8 big beef franks were introduced during the year in consumer-size retail packages.

Three items — **Hormel** cocktail smokies, **Hormel** cocktail smokie cheezers and **Hormel** cocktail wieners — began distribution at fiscal year-end in one-pound packages.

A significant breakthrough was the development of shelf-stable packaging. The new refrigerate-after-opening package particularly benefits dry sausage products which can now be displayed in selected areas of the supermarket or convenience store without need for refrigeration.

Delis and Dry Sausage

The unparalleled popularity and growth of supermarket delicatessens continue un-

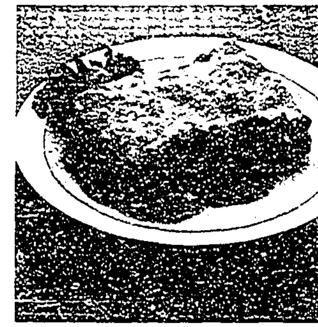
Another new product addition.

Fast 'N Easy *round bacon*

abated. In 1983, deli sales amounted to $4.1 billion; by 1987, however, this figure is expected to reach $10.95 billion.

With more than 150 ready-to-serve specialty items, the Meat Products Group not only helped develop this huge market but has earned a solid reputation as a complete supplier. New product development in 1984 expanded the Company's prominence in this area. The tremendous success of **Homeland** hard salami attracted new shoppers to deli counters while new additions to the family of America's best-selling pepperoni, **Rosa Grande** pepperoni and **Leoni Grande** pepperoni, also helped stimulate new sales.

Rosa Grande pepperoni is an exact-weight and vacuum-packed twin-link product which can be marketed shelf-stable. This new item requires less in-store handling and can be merchandised in various areas in colorful, eye-appealing display boxes developed for maximum customer attention. New eight-ounce links of **Rosa Grande** pepperoni,



Lasagna is a popular frozen entree

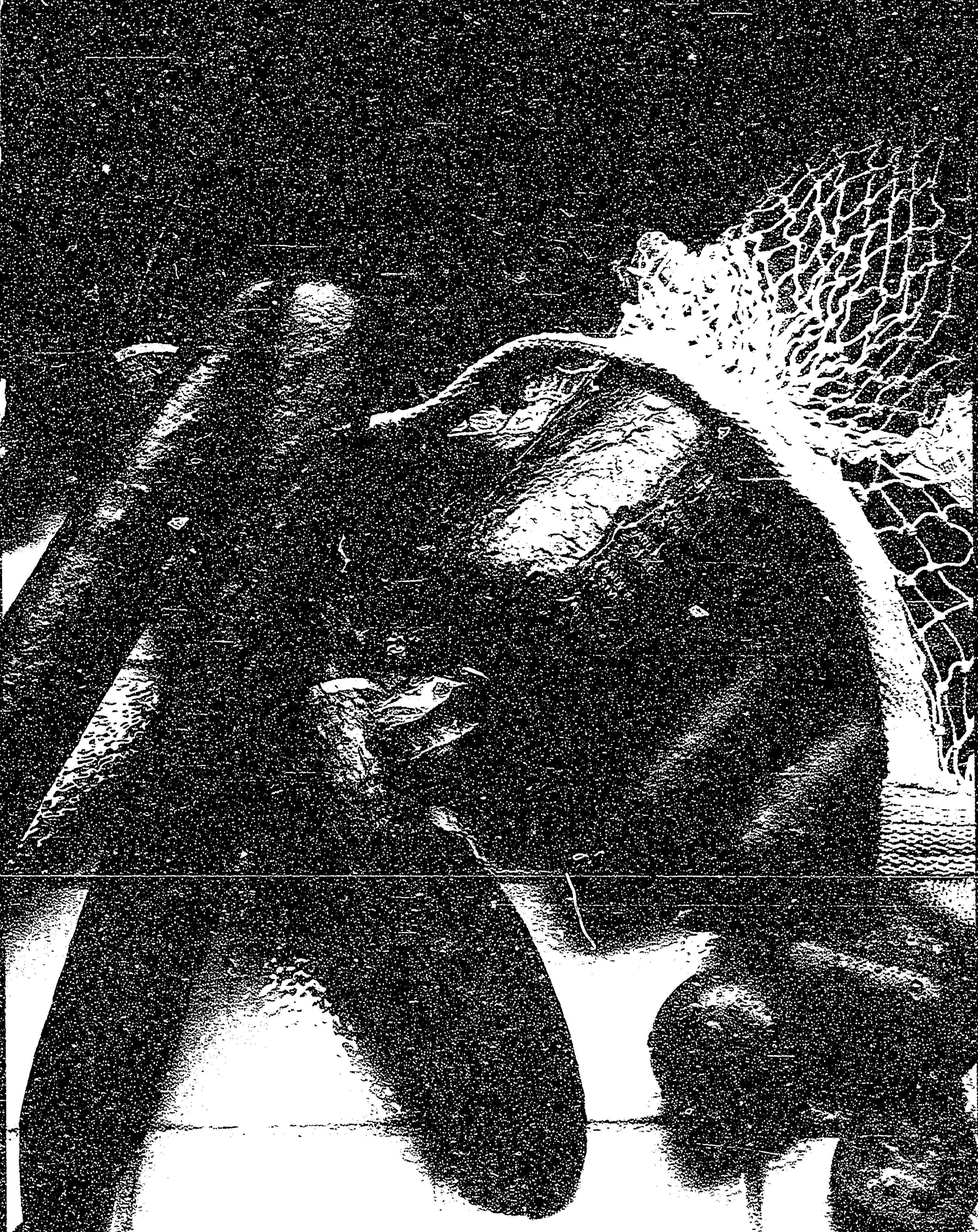
also in shelf-stable packaging, were introduced late in the year.

The larger diameter of **Leoni Grande** pepperoni sets this unique product apart from the more familiar varieties. The eye-catching size makes it an ideal sandwich item or a tasty addition to salads and antipasto trays.

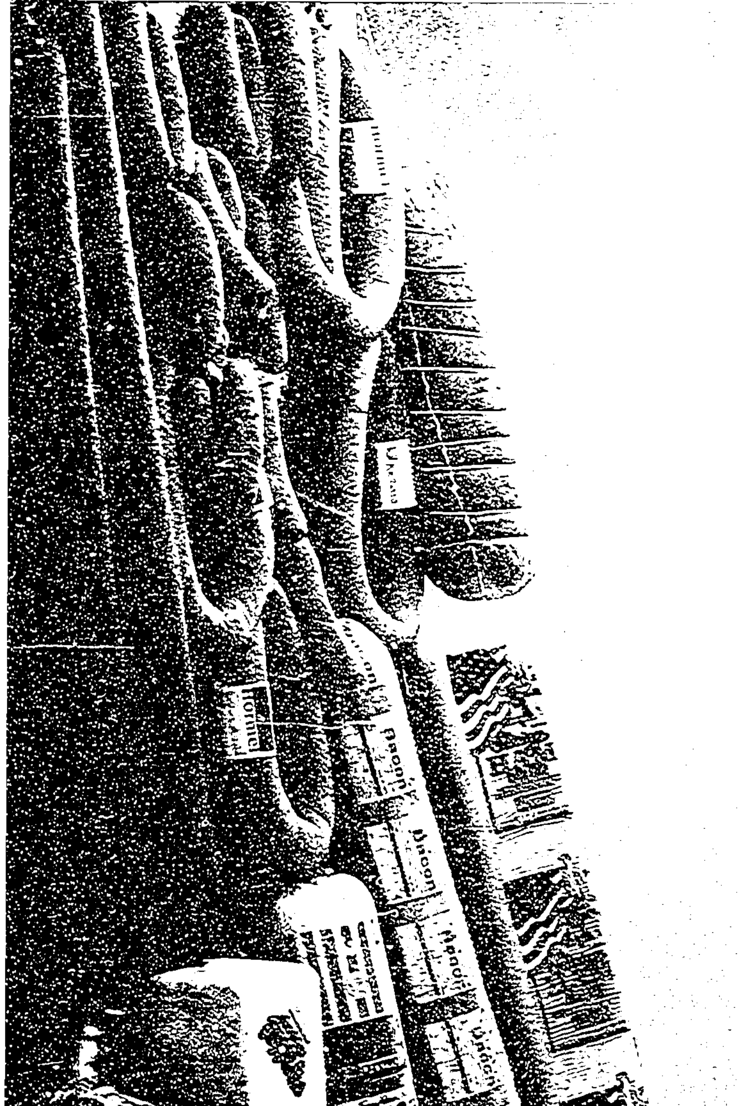
Pepperoni, a 150 million pound category nationwide, continued its total market growth and upward surge in consumer popularity. In the forefront is the Meat Products Group, industry leaders in the marketing of what has long been America's best-selling pepperoni.

The variety of deli loaf products was improved in 1984. Although still retaining a baked loaf appearance with the characteristic high crown, all loaves now arrive at the deli already faced for display or slicing. In addition, the beginning of the Company's 1985 fiscal year marked the introduction of **Light & Lean** deli loaves. Based on the same principle as the more familiar **Light & Lean** luncheon meats, this new line provides consumers with the option of shopping at the deli counter for a full assortment of low-calorie items ready for slicing to desired quantities. Approximately 15 different varieties are offered.

Mini **Di Lusso** genoa was developed and introduced late in the calendar year. Carrying the same mild, unsmoked, garlic-tinged flavor as its parent item, **Di Lusso**



...eat Products Group is the largest supplier of pepperoni to the retail grocery, including self-service ... sections and food service industries.



genoa, this one-pound sausage is proving to be a perfect size for today's smaller families.

Wranglers beef sausage roll has just recently been introduced into the marketplace. It has the same hearty, smoke-flavored taste of **Wranglers** smoked franks and **Wranglers** bacon. Produced as one- and four-pound chub products, the larger size is a compatible item to other **Hormel** deli meats.

Old Smokehouse beef sausage, first distributed in mid-summer, is another new addition. The vacuum-packed, shelf-stable product is sold in versatile display bins which can be positioned anywhere in the grocery store.

Growth in Food Service

The food service industry completed the year with a very satisfactory four percent growth rate. The Company easily surpassed that figure.

Precooked bacon was once again a leading growth category. In addition to increasing sales for the very popular **Fast 'N Easy** precooked bacon and **Hormel** bacon bits, a new concept, **Fast 'N Easy** round bacon, was introduced early in the year. This new product answered the needs of food service operators seeking a convenient, portion-controlled bacon for breakfast biscuits, luncheon cheeseburgers or liver and onion dinners.

New packaging techniques and more careful selection and trimming have upgraded other food service bacon items. A vacuum-packaging system developed for **Layout**

Hormel provides the food service ... an extraordinary ra... products including hams, bacon, fresh and dry sausage, deli ... ooked and uncooked patty products, fresh pork and beef an...

Pack wide-shingled bacon and center-cut sliced bacon has lengthened shelf life and improved quality.

To better serve small-volume delicatessen owners and food service operators, an exciting new line of single-pack entrees was formulated in 1984.

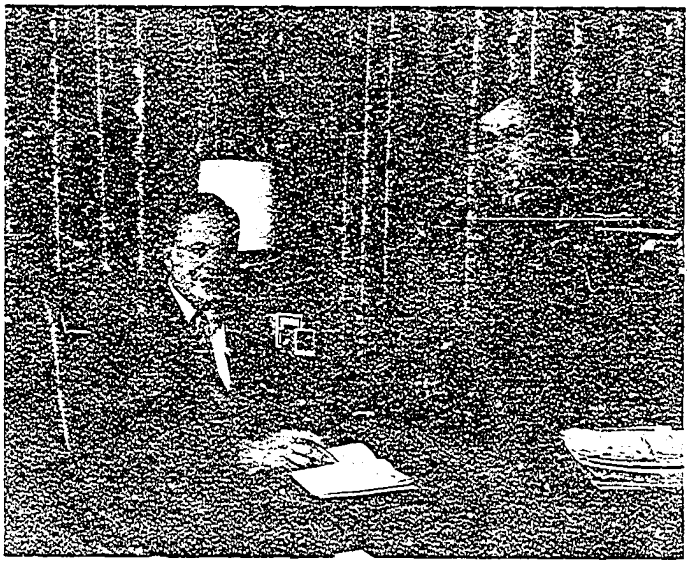
Six items were initially introduced — macaroni & cheese, beef stew, stuffed cabbage rolls with sauce, stuffed peppers with sauce, lasagna with beef in sauce and **Rosa Grande** lasagna. Four items provide less than 300 calories per serving, an additional bonus for the deli owner or food service chef wishing to satisfy calorie-conscious customers.

Nine low-calorie frozen entrees, each containing less than 270 calories per suggested serving, were introduced to the growing society of slim- and diet-regimented Americans. Marketed under the **Entree De-Light** brand, the main dishes include stuffed peppers with sauce, pepperoni peppers with sauce, stuffed cabbage rolls with sauce, beef stew, tuna & noodles, chicken & dumplings, scalloped potatoes & ham, chicken chow mein and macaroni & cheese.

Rosa Grande lasagna, a premium item introduced in 1983, helped increase total Company lasagna sales by more than 25 percent in the year just ended. Joining this popular item early in 1985 will be **Rosa Grande** vegetable lasagna, a wonderful combination of spinach, zucchini and natural cheese in a rich tomato sauce. The vegetable lasagna will also become the newest addition to the **Entree De-Light** single-pack frozen main dish line.

Austin Street Market

After completing its first successful year in 1983, the **Austin Street Market** catalogue adopted a slightly different approach in its second year. Additional research identified changing consumer interests and a particular preference for more Hormel products and a reduced demand for other food- and non-food items. A special sales and warehouse section offered important savings for bulk purchases of certain items, another attractive improvement.



Left to right James E Hall, group vice president, Prepared Foods, and Robert F Patterson, vice president, Grocery Products Division

Prepared Foods Group

"In 1984, the Prepared Foods Group emphasized a strong, contemporary marketing effort that targeted a point-of-difference for each Hormel product offered to the consumer. The diversified lines of value-added products, many of them long-time American favorites, benefited from major increases in advertising and promotion.

"Looking ahead, our objective will be to continue to perform as one of the world's best food companies. The Prepared Foods Group can contribute by focusing much of its efforts on the development and marketing of those products which satisfy the growing interest in health, nutrition and fitness. By so doing, we will give important emphasis to our mission statement and, at the same time, help the Company solidify its standing as one of the best-managed, high-performance companies within the food industry."

JAMES E. HALL
Group Vice President
Prepared Foods Group

Geo. A. Hormel & Company's mission statement guided the energies and efforts of the Prepared Foods Group during the fiscal year ended October 27. Both the Grocery Products Division, comprising the Company's very successful canned meats line, and the Industrial Products Division, known for its development of specialty protein products, private label and generic dessert and soft drink items, concentrated on the important objective of building volume gains and market share growth.

It was the Company's perennial top performers — **SPAM** luncheon meat, **Dinty Moore** beef stew, **Hormel** chili, **Mary Kitchen** roast beef hash and **Mary Kitchen** corned beef hash, **Hormel** bacon bits and the diversified ham, turkey and poultry chunk line — that again helped advance fiscal year results. In many cases, these stable, healthy, established products increased share even as the markets themselves expanded.

Aggressive steps were also taken in the very critical area of new product development. **Old Smokehouse** Bar-B-Q sauce, **Dinty Moore** burger-chunk stew, **Dinty Moore** chicken stew and **Hormel** scalloped potatoes and pepperoni were among the many new items introduced during fiscal 1984 which represented line extensions or expansion into entirely new product categories. The growing product portfolio of the Grocery Products Division was further complemented by the acquisition of the **Gold 'N Lite** breaded vegetables and cheese frozen product line. Also introduced into the retail frozen food case were catfish fillets and snacks.

Demonstrating its dedication to maintaining leadership in the food industry, the Prepared Foods Group engaged the services of SRI International, an internationally-respected research and consulting firm, to assist in identifying specific new business opportunities.

With the goal of gaining $150 million of new business by 1990, either through acquisition or internal development, the Group's management personnel studied the structure of the Company's grocery products business and the entire food industry

Taking advantage of SRI's insight into various population segments, their life styles, attitudes and purchase patterns and projecting future consumer needs, the Group identified eight potential growth areas which were consistent with Company objectives. These eight areas combine unique Company strengths with new opportunities to achieve continued diversification by entry into new areas of the food and beverage industry. Business plans and approach strategies for acquisition targets were finalized at the close of the fiscal year with internal development plans continuing into the new year.

Fiscal 1984 was also a productive and significant year for the Industrial Products Division. While total dollar sales volume rose only slightly above 1983 results, several important steps were taken to better position this Division for higher growth levels in 1985 and beyond.

The year's highlight was the very successful introduction of a sugar-free hot cocoa mix and a six-flavor line of sugar-free gelatin desserts, all marketed under the well-established and growing **Light & Lean** brand name. In terms of growth potential, this key entry into the expanding low calorie drink mix market is viewed as a very promising opportunity upon which to build new business. A second key product innovation was the development of **Building Blocks** concentrated meat stocks, a new line of natural-

[illegible] luncheon meat, one of the Company's perennial top performers.

These products are now in limited distribution.

Two newcomers to the chili line.

Two varieties introduced this year.

Twenty-seven single-portion items now appear on supermarket shelves under the **Short Orders** *individual canned servings line*

ly-flavored liquid meat stocks. Consisting of 15 different varieties, these high-quality, 100 percent natural stocks are sold to food manufacturers as a flavoring ingredient to be used in soups, sauces, gravies, stews and meat pot pies.

Sales and Market Gains

SPAM luncheon meat continues to be the backbone of the Grocery Products Division and strongly underscores the Company's total commitment to market value-added consumer products.

Competing in a relatively mature market, sales of this "flagship" product held nearly steady with 1983 fiscal year sales, a noteworthy performance when considering that total industry volume of this category declined three percent. This most enduring of all canned luncheon meats is viewed by many food industry observers to be in a class by itself. On a national level, **SPAM** luncheon meat claims a 70 percent share of canned luncheon meat sales. It is sold in almost every grocery store in the United States and is marketed abroad to more than 50 foreign countries. Total annual sales exceed 100 million cans!

An audience estimated at 3.3 million households tuned into an April, 1984, segment of NBC's "The Today Show" to see a humorous, lighthearted and fond look at **SPAM** luncheon meat. The five-minute broadcast included everything from 1950 film clips of the Hormel Girls promoting the product on network radio to a modern-day spoof on music video.

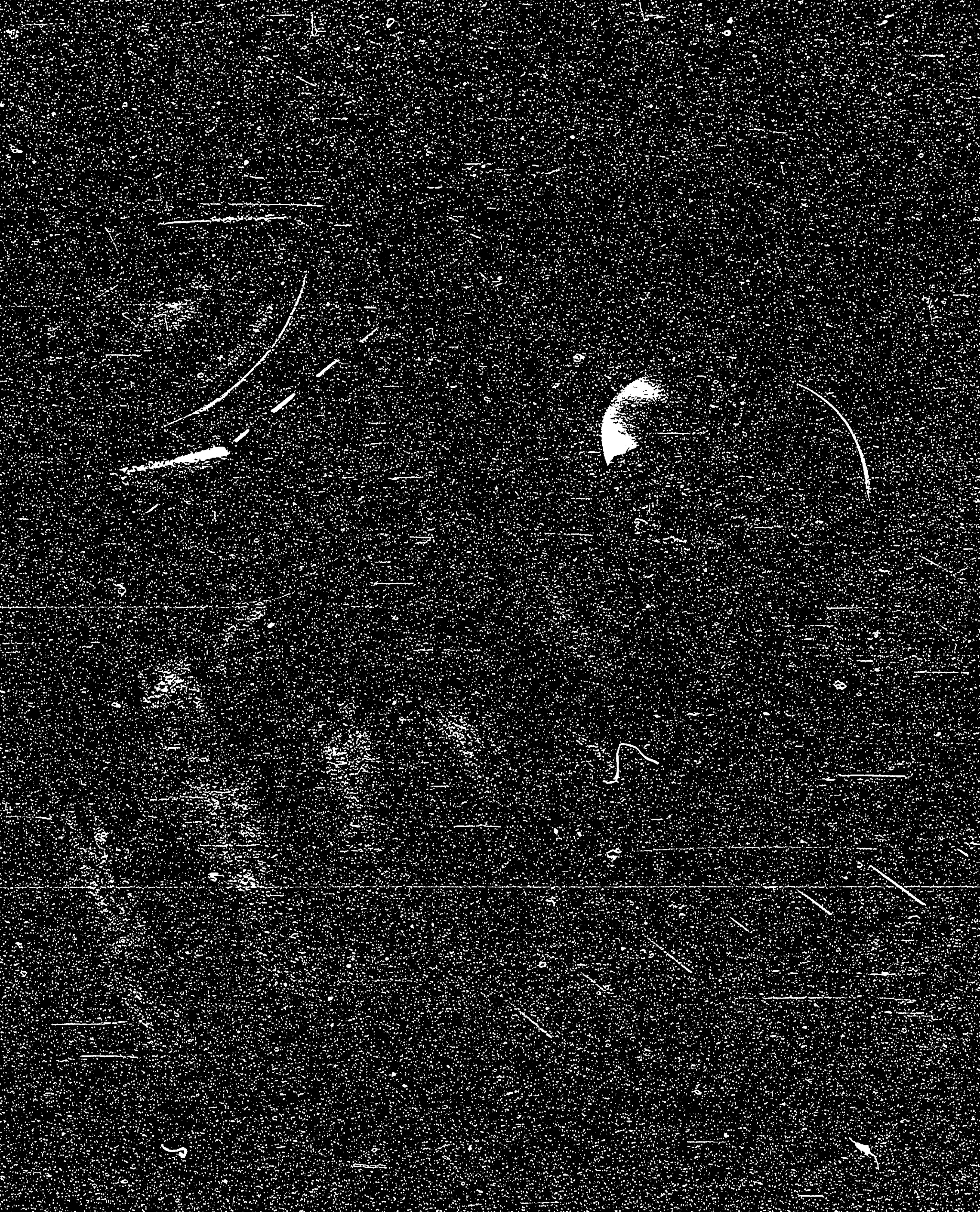
The Grocery Products Division's growth was also demonstrated by the performance of another of its most cherished product lines — **Hormel** chili. The canned chili category, representing more than one-quarter billion pounds, is larger than the luncheon meat and stew markets combined and, most importantly, is still growing. Contributing to this large and intense environment is the fact that a great many food manufacturers presently produce a canned chili product; more than 285 brands and sizes are now found on supermarket shelves. Hormel, already number-one in this burgeoning $250 million category, finished the year with a nine percent rise in sales volume which outpaced total industry growth and accounted for a solid improvement in market share.

A part of the Company's program to expand upon its leadership in the growing canned chili category was to complement the traditional mainstays of the line. Two newcomers — **Hormel** chunky chili with beans and **Hormel** chili with beans (reduced salt) — successfully completed selected market tests. The chunky-style chili provided important impetus to the entire line, registering encouraging sales and distribution gains, and will now be expanded into other Western Region markets. The low-sodium version of **Hormel** chili with beans, a product formulated specifically to satisfy the health- and diet-oriented needs of today's consumers, will reach national distribution by fiscal year-end

Other Leading Brands

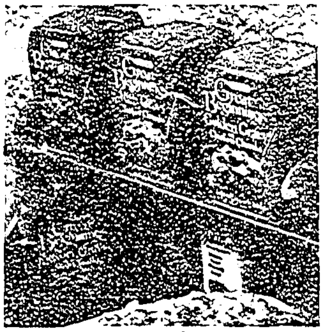
Heavy advertising and promotional support also contributed to record-breaking sales for two of the Company's other best performing lines — **Dinty Moore** beef stew and **Mary Kitchen** roast beef hash and **Mary Kitchen** corned beef hash.

At the same time the core products of the **Dinty Moore**



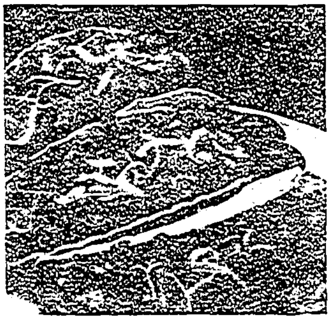
Old Smokehouse *Bar-B-Q sauce represents the Company's first entry into this growing but very competitive category. Two varieties — original and hot — are offered to consumers.*

Expanded into new markets.



Unique four-variety line

Six fruity flavors of **Light & Lean** *gelatin desserts entered selected test markets at mid-year. National distribution is planned for 1985.*



Creative marketing concepts. . .

boost **Mary Kitchen** *sales*

New 7½-oz products.

line were well on their path to establishing new sales records, the Company expanded the market with **Dinty Moore** burgerchunk stew. This newest item, marketed in a big "family-size" 25-oz. can, began distribution in the Southwest. Following excellent trade response, it has since been expanded into the populous East Central Region.

The robust year for **Mary Kitchen** roast beef hash and **Mary Kitchen** corned beef hash was characterized by strong volume gains that exceeded 16 percent, vigorous salesmanship and creative marketing concepts. As a result, this product line achieved a growth rate far greater than that of the industry as a whole and increased its number-one share-of-market to an all-time record high of 40 percent.

The Company attacked the high-consumption hash markets with a combination of television, magazine and free-standing insert coupon advertising. Tie-in promotions with **Black Label** bacon and *Gold Medal*® flour, plus half-page advertisements in two issues of *Reader's Digest*, were particularly effective. A new 30-second television commercial, entitled *"Tootsie,"* made its network appearance in several major markets late in the year.

Very solid performances were turned in by the Company's line of chunk products, principally the poultry and turkey varieties, even though total category sales continued their downward trend. Spearheading the marketing support for these products was the Company's participation in a *Southern Living* magazine cooking school, held in more than 20 markets from the Southwest to Atlantic Coast states. Demonstrations, attended by more than 70,000 homemakers, offered creative cooking tips and recipes, including chicken and pineapple croissants, a menu item featuring **Hormel** chunk breast of chicken.

In this category, **Hormel** no salt added white and dark chicken is now in limited distribution. **Hormel** chunk ham, the original member of this product family, still maintained a secure hold on its number-one position with a 17 percent share.

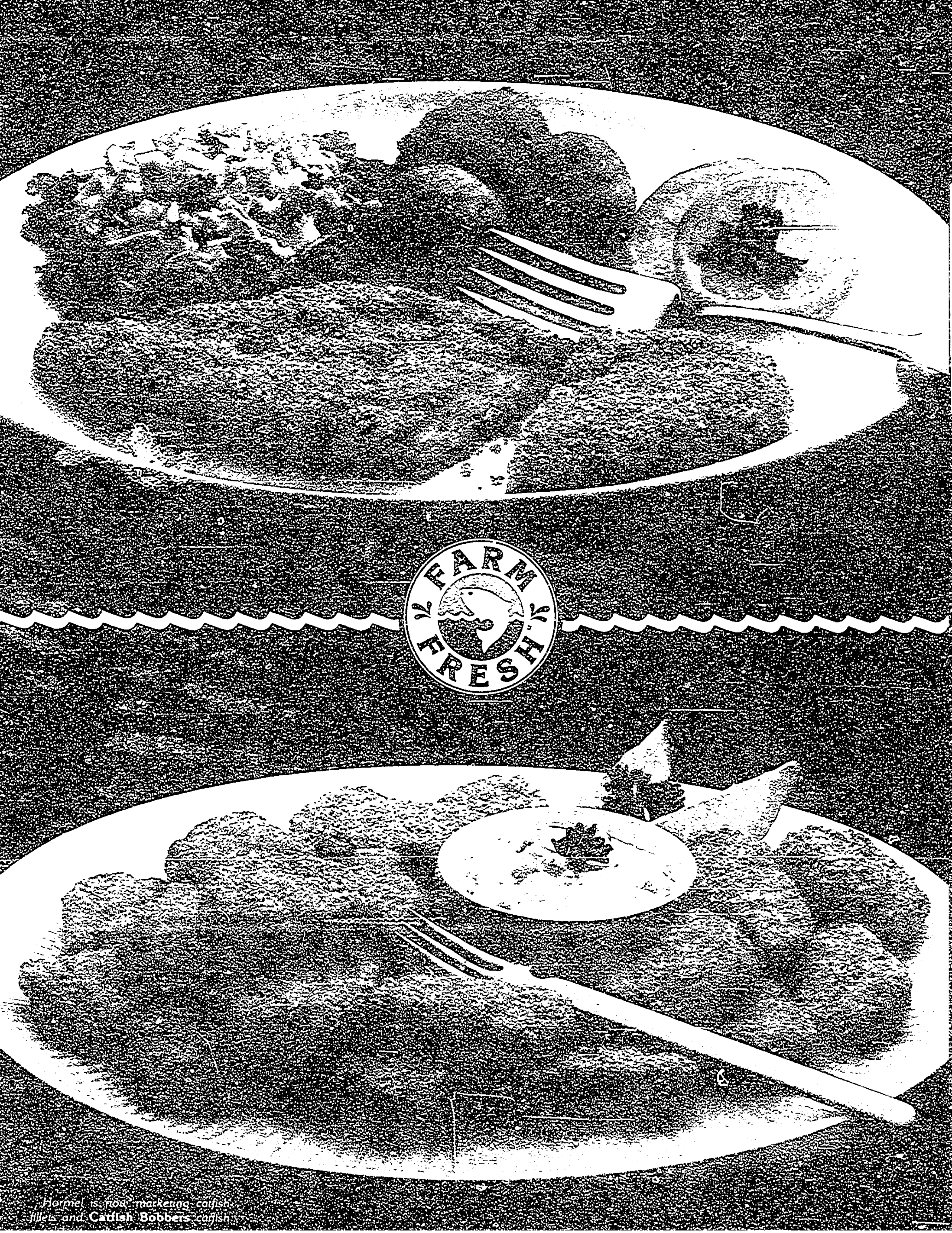
Product Introductions

Great Beginnings meat chunks and gravy recipe helpers has expanded beyond its initial six introductory markets and could reach full distribution by mid-1985. This unique four-variety line — featuring beef chunks and brown gravy, turkey chunks and rich gravy, chicken chunks and golden gravy and pork chunks and savory gravy — provides the main ingredients for a recipe, allowing the consumer to creatively add rice, pasta, potatoes, vegetables, biscuits, bread or seasonings.

In the real bacon bits category, Hormel is the undisputed leader. In 1984 alone, sales increased by 18 percent.

Dinty Moore chicken stew and **Hormel** scalloped potatoes and pepperoni are the two latest additions to the Company's **Short Orders** individual canned servings line. The first item addresses the still-growing demand for poultry in the diets of health-conscious consumer groups; the second hot food dish offers a spicy Italian flavor with an old American favorite, scalloped potatoes. Twenty-seven single-portion items now appear on supermarket shelves nationwide under the well-known **Hormel, Dinty Moore** and **Mary Kitchen** brand names.

Considerable enthusiasm surrounds the introduction of **Old Smokehouse** Bar-B-Q sauce, the Company's first effort to gain a foothold in this



Hormel is now marketing catfish fillets and **Catfish Bobbers** *catfish*

growing but very competitive category.

The slightly sweet, tasty sauce comes in two varieties — original and hot — and is available in an 18-oz. wide-mouth bottle or a special four-ounce trial-size container. The natural hickory smoke and a unique blending of spices combine to produce a special mouth-watering flavor.

The barbecue sauce market continues to be a rapidly-growing category and represents a logical extension of the Company's new product development efforts. The **Old Smokehouse** brand carries a very positive, highly-favorable image and is seen as offering tie-in possibilities as a fitting accompaniment to many Hormel smoked, cured and fresh meats.

Frozen Foods

Five single-serve frozen items, four of them Mexican specialties, were introduced during the year to the retail trade and to vendors and mobile caterers. Included in the line are individually-packaged **Hormel** burrito grande, **Hormel** corn dog, **Hormel** Mexicali dog, and two dessert items, **Hormel** cherry dulcita and **Hormel** apple dulcita.

With two additional bold moves, the Company further increased its presence in the frozen foods category during 1984. The brand name **Gold 'N Lite** and its line of battered and breaded vegetables and cheese products were purchased from a Midwest-based frozen foods processor. Then, following up on its acquisition one year earlier of Farm Fresh Catfish Company, Inc., Hormel developed two value-added catfish items for retail distribution.

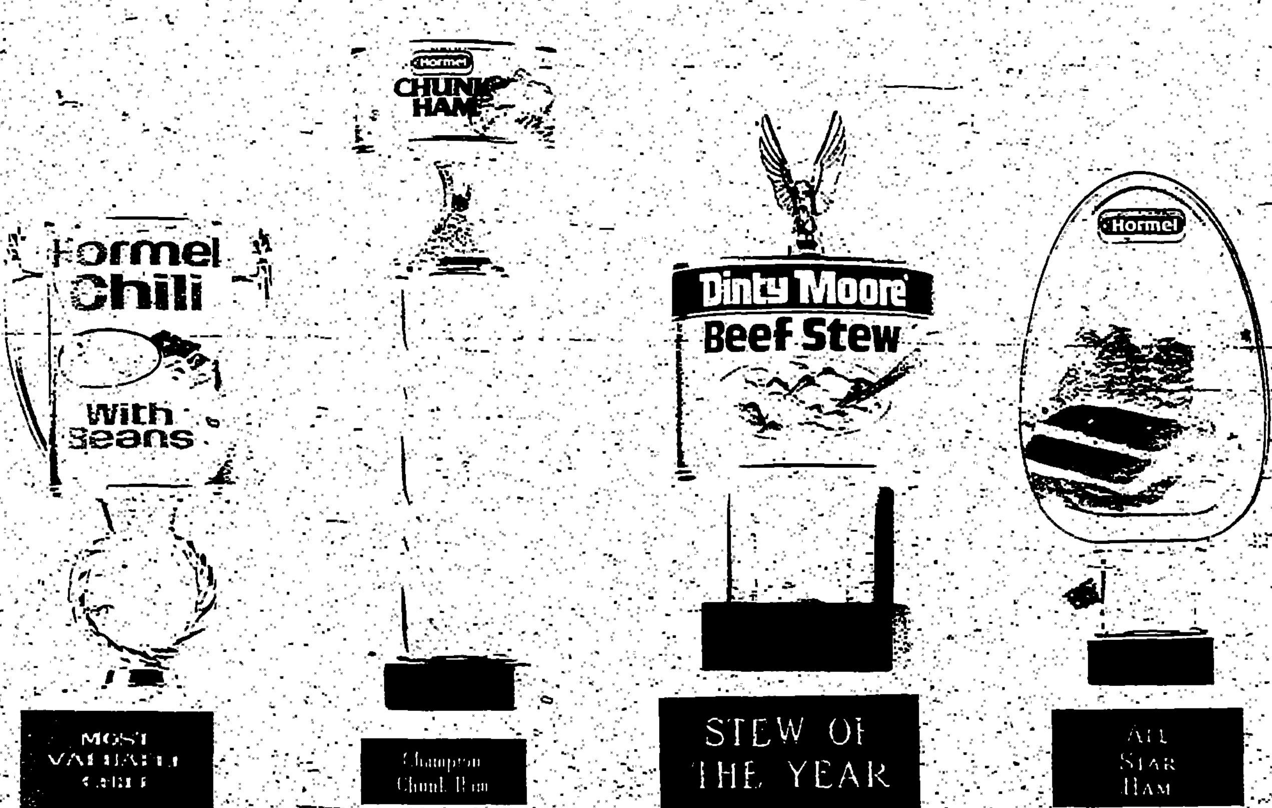
After acquiring the **Gold 'N Lite** line, Hormel moved quickly to implement some well-perceived necessary improvements. The label and packaging were completely redesigned for better visibility and eye-appeal. New formulas were developed for batters and breadings, creating a more gently-coated, crispy texture, and extensive research studies were conducted to determine market and growth potential.

The upgraded, all-new **Gold 'N Lite** line will be introduced in early 1985. It will offer several varieties of vegetables, including mushrooms, cauliflower and sliced zucchini, a popular line of selected cheeses, cheddar, cheddar with jalapeno, Monterey Jack with onion and garlic and Monterey Jack with pizza seasoning, and precooked onion rings, always a strong consumer favorite.

Taking a plunge into the seafood industry, Hormel is now marketing catfish fillets and **Catfish Bobbers** catfish snacks into selected test areas. The boneless catfish fillets are lightly-breaded with seasoned cornmeal and then deep-fried to a golden crisp. The **Catfish Bobbers** catfish snacks are 12 bite-sized nuggets of tender catfish, also lightly-rolled in cornmeal, which are positioned as a "fun-size" treat for snacks or appetizers.

Industrial Products

The Industrial Products Division's total volume sales were virtually unchanged from a year earlier, rising only slightly as fiscal 1984 ended. However, the development



[illegible] products have earned a number-one share-of-market in their respective category. Each is a widely-recognized consumer favorite.

of several new product lines is visualized as having a very positive impact on perpetuating future growth.

Most significant was the introduction of a family of naturally-flavored meat stock pastes which are marketed nationally under the **Building Blocks** concentrated meat stocks umbrella. Available in four varieties — beef, ham, pork and meat (beef/pork) — the new liquid stocks are further divided into varying degrees of strength. The 15 separate flavors add "extra body" and a delicious meaty taste to soups, sauces, stews, gravies and pot pies.

The sale of generic brand gelatin desserts, puddings, hot cocoa and pre-sweetened soft drink mixes continued to react to changes in the economy. As this volume leveled off, increases were noted in private label food chain sales.

The most dramatic breakthrough in this field was the introduction of new sugar-free products containing G. D. Searle's *NutraSweet* brand aspartame, a low-calorie sweetener. The Industrial Products Division formulated a hot-cocoa mix and a line of gelatin desserts, all under the **Light & Lean** brand name, which are distributed through the Company's grocery products sales representatives.

Light & Lean hot cocoa mix has now completed its first full year of distribution. Although a seasonal-type product, inroads have been made into the marketplace and consumer acceptance is encouraging. Six fruity flavors of **Light & Lean** gelatin desserts — strawberry, raspberry, cherry, orange, lime and strawberry colada — entered selected test markets at mid-year. In addition to being entirely sugar-free and containing only eight calories per serving, the new line is produced with reduced amounts of sodium, another very important dietary consideration for many meal planners.

Light & Lean gelatin desserts will reach national distribution in 1985. This initial beverage and gelatin dessert line will then be followed by the planned roll-out of other good-tasting, sugar-free dairy drinks and instant puddings.

At the Davenport (Iowa) gelatin/specialized proteins plant, production capabilities were further expanded. Although this facility began operation one year earlier on a full seven-day, around-the-clock schedule, increased volumes were still able to be realized through the attainment of higher yields and improved gelatin quality. The improvements have been so dramatic that the gelatin now extracted from pork skins is virtually pure, thus ensuring that the very demanding specifications of both pharmaceutical houses and food grade gelatin manufacturers are rigidly met.

During the year, the Industrial Products Division began serving as a sales and marketing agent for Leiner Gelatin, Ltd., a United Kingdom-based worldwide supplier of specialized bone gelatins. U.S. buyers of these special gelatins include pharmaceutical houses where the product is used in the manufacture of hard and soft capsules, and to the photographic industry for the development of film and X-ray film.

The cosmetic-type protein market showed signs of recovering from its two-year recession. Volumes rose in 1984 as the demand for these specialty proteins, used as an ingredient in such popular hair-waving preparations as shampoos and conditioners, reflected renewed trade and consumer interest.

Officers and Directors

At fiscal year-end, the Board of Directors of Geo. A. Hormel & Company consisted of 12 members of whom seven were officers of the Company. Besides meeting regularly as a group to review Company business, the members of the Board of Directors also devote their time and talents to the following five standing committees.

Personnel Committee

R. L. Knowlton, chairman
Clarence G. Adamy
Ray V. Rose

The Personnel Committee has three members; one an employee director and two non-employee directors. This Committee has the authority to review and to make recommendations to the Board of Directors and to the Chief Executive Officer on matters relating to employee compensation, retirement, medical and life insurance benefits and executive development planning.

Contributions Committee

Raymond J. Asp, chairman
James E. Hall
William R. Hunter
James A. Silbaugh

The Contributions Committee has four members, all of whom are employee directors. This Committee is involved in reviewing charitable contributions, many of which are made to activities and organizations in communities in which the Company operates. It evaluates the needs of various organizations and recommends the extent to which corporate financial support should be made available to worthy educational, humanitarian services and civic project endeavors.

Audit Committee

Geraldine M. Joseph, chairperson
Clarence G. Adamy
DeWalt H. Ankeny, Jr.
Sherwood O. Berg

The Audit Committee, composed entirely of non-employee directors, reviews activities and matters pertaining to the audit, including systems of internal control and accounting policies and procedures, approves services provided by the independent auditors and directs and supervises investigations into matters within the scope of its duties.

Pension Investment Committee

E. C. Alsaker, chairman
Robert F. Potach
James A. Silbaugh

The Pension Investment Committee has three members, all of whom are employee directors. This Committee reviews the investment results and strategies of the investment manager. In addition, it recommends to the Board the appointment of investment advisers or managers.

Executive Committee

R. L. Knowlton, chairman
E. C. Alsaker
Raymond J. Asp
James E. Hall
William R. Hunter
Robert F. Potach
James A. Silbaugh

The Executive Committee has seven members, all of whom are employee directors. This Committee has most of the powers of the Board of Directors and can act when the Board is not in session.

CHANGES IN OFFICERS AND DIRECTORS

Several important changes in the top management of Geo. A. Hormel & Company occurred during fiscal 1984. On January 31, R. L. Knowlton, Company president and chief executive officer, was elected to the added position of chairman of the board. Although the board chairman's title had been retired since October 31, 1981, Knowlton continued during this period to fulfill all the responsibilities associated with that office.

I. J. Holton, past president, board chairman and chief executive officer, officially ended a long and distinguished Hormel business career with his July 23 retirement from the Company's Board of Directors. Holton had previously ended 36 years of active Company service with his April 30, 1983, retirement. His resignation as a Board member this past fiscal year was consistent with a Company policy that prescribes mandatory retirement at age 65.

Early in the year, Charles D. Nyberg, general counsel and corporate secretary, was elected a vice president of the corporation. Stanley E. Kerber was elected senior vice president of marketing for the Meat Products Group on June 26. James DiNicola succeeded him as vice president of meat products sales.

David A. Larson was advanced to vice president of human resources in action taken at the July 23 meeting of the Hormel Board. He succeeded Robert M. Gill, a 35-year Company veteran, who retired after serving for more than 16 years as a Hormel vice president and 14 years as a member of the Board of Directors.

Raymond J. Asp, executive vice president, was given responsibility to expand the Company's international businesses. Assuming his former responsibilities with the Prepared Foods Group is James E. Hall, elected a group vice

president and a member of the Board of Directors on September 24. At the same time, Robert F. Patterson was named vice president of the Grocery Products Division, fulfilling the vacancy created by Hall's advancement.

DeWalt H. Ankeny, Jr., president and chief operating officer of First Bank System, Inc., Minneapolis, Minn., was elected to the Hormel Board during the first quarter of the 1984 fiscal year. He succeeded Donald R. Grangaard whose earlier resignation as a Board member coincided with his retirement from active employment with First Bank System, Inc.

R. L. Knowlton
Chairman of the Board
President and
Chief Executive Officer
Director since September, 1974

Raymond J. Asp
Executive Vice President
International and Trade Relations
Director since August, 1969

James E. Hall
Group Vice President
Prepared Foods
Director since September, 1984

William R. Hunter
Group Vice President
Operations
Director since July, 1979

Robert F. Potach
Group Vice President
Administration
Director since October, 1970

James A. Silbaugh
Group Vice President
Meat Products
Director since May, 1983

E. C. Aisaker
Senior Vice President
and Treasurer
Director since November, 1969
Retired December 31, 1984

Stanley E. Kerber
Senior Vice President
Meat Products Marketing

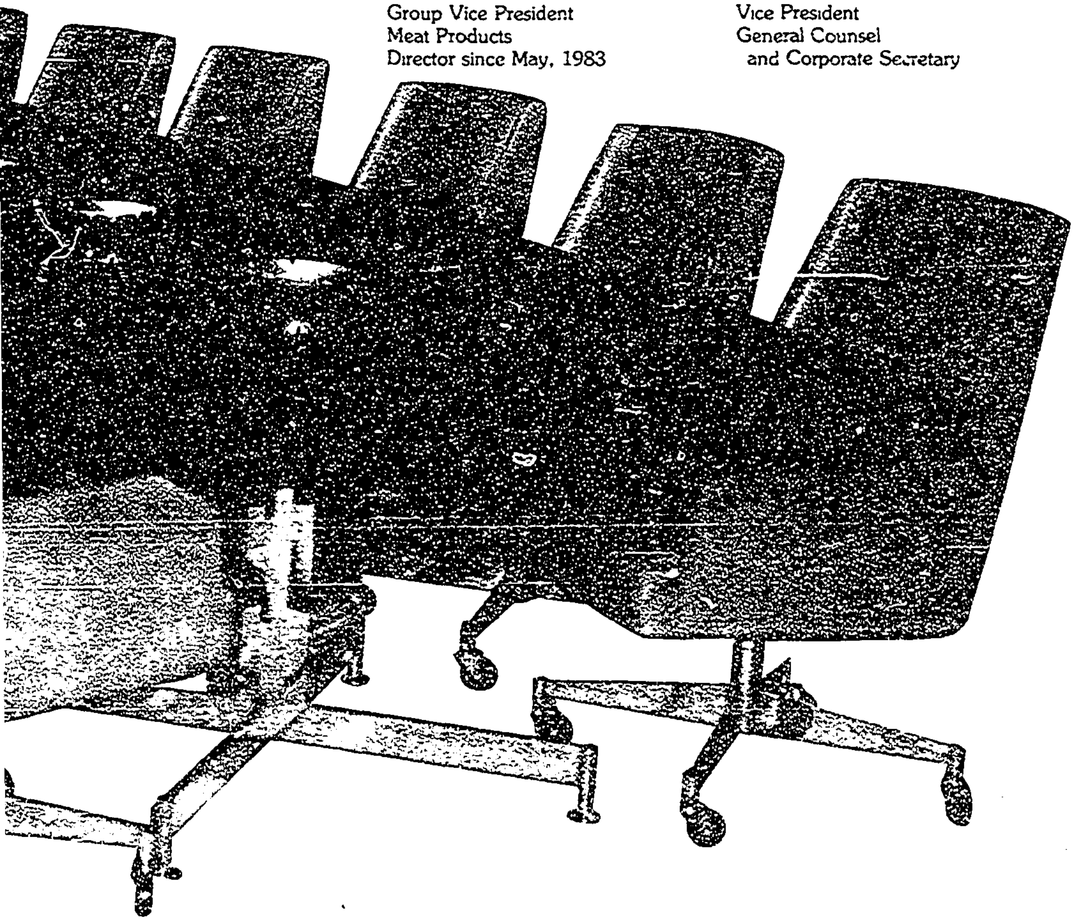
Frank M. Brown
Vice President
Engineering

James DiNicola
Vice President
Meat Products Sales

David A. Larson
Vice President
Human Resources

Marvin F. Moes
Vice President
Dry Sausage Division

Charles D. Nyberg
Vice President
General Counsel
and Corporate Secretary



Robert F. Patterson
Vice President
Grocery Products Division

James N. Rieth
Vice President
Strategic Planning
and Development

Robert J. Thatcher
Vice President
and Treasurer

Robert G. Wells
Vice President
Pork and Beef Divisions

Richard W. Schlange
Controller

Walter B. Stevens
Assistant Treasurer
Finance and Bank Relations

Thomas J. Leake
Assistant Secretary

William O. McCormack
Assistant Secretary

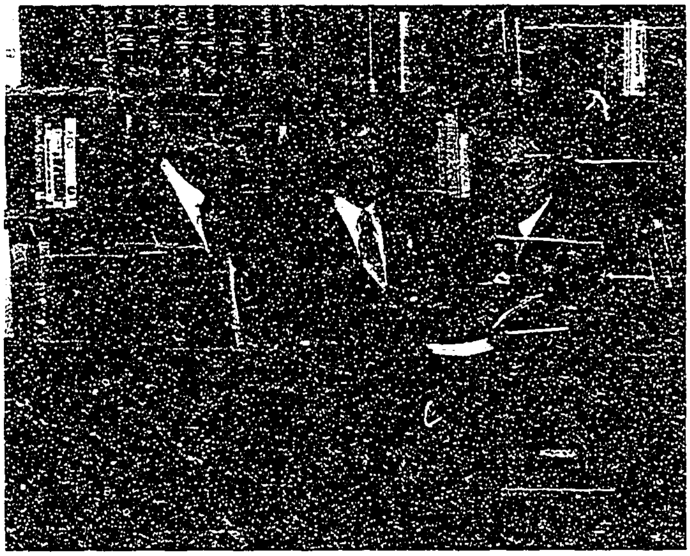
Clarence G. Adamy,
Alexandria, Va.
Food Industry Consultant
Former President
National Association of
Food Chains
Director since January, 1977

DeWalt H. Ankeny, Jr.,
Minneapolis, Minn.
President and
Chief Operating Officer
First Bank System, Inc.
Director since December, 1983

Sherwood O. Berg,
Brookings, S.D.
President Emeritus of
South Dakota State University
Serves as chief-of-party
of Midwest universities
and Harvard group managing
Indonesian education and
training program
Director June, 1969-June, 1973
Re-elected November, 1976

Geraldine M. Joseph,
Minneapolis, Minn.
Director
International Program Development
Hubert H. Humphrey
Institute of Public Affairs
Director August, 1974-July, 1978
Re-elected April, 1981

Ray V. Rose,
Colorado Springs, Colo.
Food Industry Consultant
Former Supermarket Chain
Chief Executive Officer
Director since October, 1981



Left to right: Thomas J Leake, assistant secretary, William O. McCormack, assistant secretary, and Charles D Nyberg, vice president, general counsel and corporate secretary

Stockholder Information

Corporate Headquarters
Geo. A. Hormel & Company
501 16th Avenue N.E.
P.O. Box 800
Austin, Minnesota 55912
(507) 437-5611

About Your Stock

Geo. A. Hormel & Company common stock is listed on the American Stock Exchange. The stock is listed as "Horml" in the stock table listings which appear in daily newspapers. The abbreviated trading symbol is "HRL."

Auditors
Ernst & Whinney
1400 Pillsbury Center
Minneapolis, Minn. 55402

Transfer Agent
The First National Bank of Chicago
One First National Plaza
Chicago, Ill. 60670

Communications concerning change in registered ownership and lost or stolen certificates should be directed to the Transfer Agent above.

Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Ill. 60690

Stockholder Inquiries

Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, % Corporate Secretary, P.O. Box 800, Austin, Minn. 55912, or by calling (507) 437-5298.

Reports and Publications

This Annual Report is just one of the sources of information about the Company available to stockholders and the general public. Some of the other sources include:

Form 10-K to the Securities and Exchange Commission

Available in January, this Report provides further details of Geo. A. Hormel & Company's business. Stockholders of record and/or beneficial owners of the Company's stock may obtain, without charge, a copy of the most recent Form 10-K. A written request should be directed to Geo. A. Hormel & Company, % Director of Public Relations, P.O. Box 800, Austin, Minn. 55912, or by calling (507) 437-5334.

Notice of Annual Meeting and Proxy Statement

Mailed in January, this publication provides biographies of the nominees for the Board of Directors, details of the shares of Hormel common stock they own, and a description of their principal affiliations with other companies or organizations. The Proxy Statement also describes the items of business to be voted on at the Annual Meeting.

Quarterly Reports

Mailed to each stockholder in February, May, August and November, these reports contain financial information and other current news about the Company.

Report on Annual Meeting of Stockholders

Mailed to each stockholder in February, shortly after the Annual Meeting, it summarizes the activities which transpired, providing a complete text of the chief executive officer's address and the results of voting on items of business.

Duplicate Mailings

When shares owned by one stockholder are held in different forms of that name (Jane R. Doe, J. R. Doe and J. Rose Doe), duplicate mailing of stockholder information results. The Company, by law, is required to mail to each name on the stockholder list unless the stockholder requests that duplicate mailings be eliminated. Such requests should be directed to Geo. A. Hormel & Company, P.O. Box 800, Austin, Minn. 55912, or by calling (507) 437-5298.

If husband, wife and children own stock in their own names, reports will be sent to each unless the stockholder helps to eliminate this duplication by requesting only one copy. Send labels or label information indicating which name you wish to keep on the list and which names should be deleted. This will not affect dividend mailings.

Dividend Calendar

"Stockholder of record" refers to a stockholder who is entitled to receive a dividend on the "payable date" if he or she is listed as a Geo. A. Hormel & Company stockholder on the "record date" (approximately 30 days before the payable date).

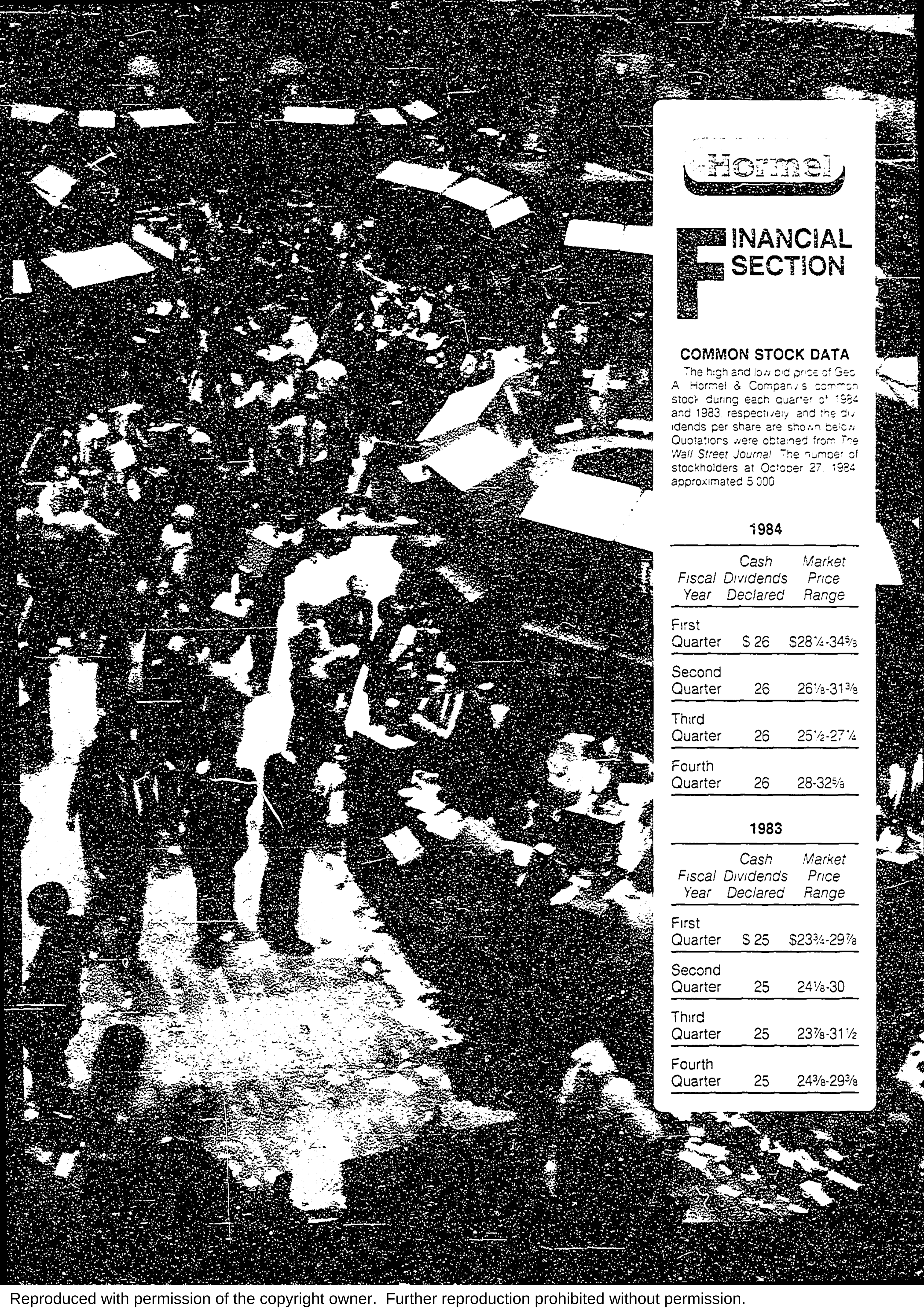
Quarterly dividends are mailed so as to reach stockholders of Geo. A. Hormel & Company on the fifteenth of February, May, August and November.

Geo. A. Hormel & Company's Board of Directors typically declares the payment of a cash dividend each quarter. Since becoming a public company in 1928, Hormel has a dividend payout record of 56 consecutive years. Over the long term, the Company expects to increase dividends consonant with increased earnings.

Additional Information

Media representatives and others seeking general information regarding Geo. A. Hormel & Company should contact the Director of Public Relations, P.O. Box 800, Austin, Minn. 55912, or by calling (507) 437-5355.

Security analysts, portfolio managers and other investors seeking financial information about the Company should contact the Office of the Treasurer, P.O. Box 800, Austin, Minn. 55912, or by calling (507) 437-5663.



Hormel

FINANCIAL SECTION

COMMON STOCK DATA

The high and low bid price of Geo. A. Hormel & Company's common stock during each quarter of 1984 and 1983, respectively, and the dividends per share are shown below. Quotations were obtained from *The Wall Street Journal*. The number of stockholders at October 27, 1984 approximated 5,000.

1984

Fiscal Year	*Cash Dividends Declared*	*Market Price Range*
First Quarter	$ 26	$28¼-34⅝
Second Quarter	26	26⅛-31⅜
Third Quarter	26	25½-27¼
Fourth Quarter	26	28-32⅝

1983

Fiscal Year	*Cash Dividends Declared*	*Market Price Range*
First Quarter	$ 25	$23¾-29⅞
Second Quarter	25	24⅛-30
Third Quarter	25	23⅞-31½
Fourth Quarter	25	24⅜-29⅜

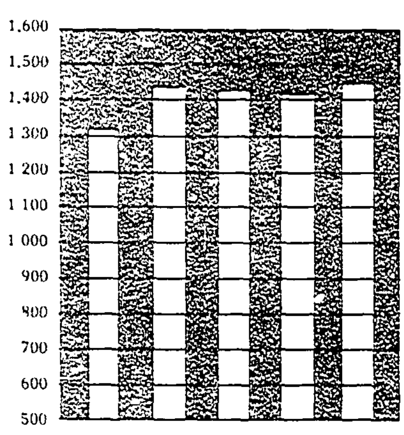
SELECTED FINANCIAL DATA

(Thousands of Dollars)

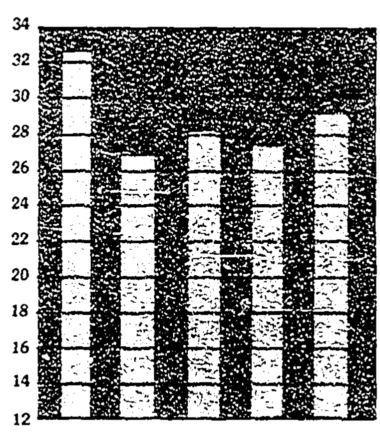
OPERATIONS	1984	1983	1982
Net Sales	$1,454,527	$1,417,705	$1,426,596
Net Earnings	29,492	27,897	28,051
Percent of Sales	2.03%	1.97%	1.97%
Wage Costs	241,210	250.724	269,964
Total Taxes (excluding Payroll Tax)	30,394	26,483	22,805
Depreciation	27,056	26,410	17,587
FINANCIAL POSITION			
Working Capital	$ 106,332	$ 95,403	$ 69,527
Properties (net)	263,929	270,103	276,684
Total Assets	525,322	512,559	488,859
Long-Term Debt — Less Current Maturities	56,695	82,164	88,264
Stockholders' Investment	283,362	263,861	245,570
PER SHARE OF COMMON STOCK			
Net Earnings	$ 3.07	$ 2.90	$ 2.92
Dividends	1.04	1.00	.96
Stockholders' Investment	29.50	27.47	25.56

*53 Weeks

NET SALES
(Millions of Dollars)

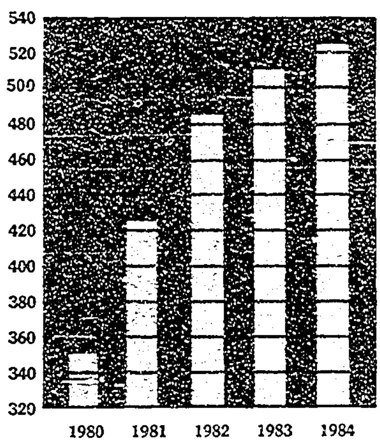


NET EARNINGS
(Millions of Dollars)

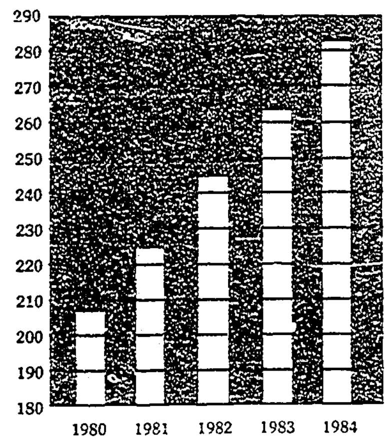


1981*	1980	1979	1978	1977	1976*	1975
$1,433,966	$1,321,966	$1,414,016	$1,244,865	$1,106,274	$1,094,832	$995,593
27,283	32,758	29,970	19,471	21,499	14,352	12,863
1.90%	2.48%	2.12%	1.56%	1.94%	1.31%	1 29%
270,522	254,303	233,878	201,633	192,590	180,236	167,951
18,796	28,077	27,635	17,997	22,857	13,344	12,703
13,887	13,452	12,102	11,551	11,312	10,697	9,140
$ 59,440	$ 69,843	$ 84,646	$ 77,523	$ 68,479	$ 54,055	$ 64,350
228,813	160,825	119,213	103,992	99,921	97,465	85,398
425,065	355,853	323,149	279,495	262,801	233,384	224,488
65,834	28,495	28,749	28,993	28,226	27,703	25.920
226,741	208,296	183,608	160,747	147,808	131,689	122,141
$ 2.84	$ 3.41	$ 3.12	$ 2.03	$ 2.24	$ 1.49	$ 1.34
.92	.84	.74	.68	.56	.50	.46
23.60	21.68	19.11	16.73	15.39	13.71	12.71

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)



STATEMENTS OF FINANCIAL POSITION

GEO. A. HORMEL & COMPANY

	October 27, 1984	October 29, 1983
	(Thousands of Dollars)	
ASSETS		
CURRENT ASSETS		
Cash	$ 10,789	$ 12,867
Short-term marketable securities — at cost which approximates market	39,383	44,848
Accounts receivable	84,753	79,377
Inventories of products, livestock, packages and supplies—Note B	115,118	89,972
Prepaid expenses	2,358	4,752
TOTAL CURRENT ASSETS	252,401	231,816
INVESTMENTS AND OTHER ASSETS	8,992	10,640
PROPERTY, PLANT AND EQUIPMENT		
Land	3,819	3,684
Buildings	107,890	108,614
Equipment	299,370	286,565
Construction in progress—Notes F and I	6,754	5,092
	417,833	403,955
Less allowance for depreciation	(153,904)	(133,852)
	263,929	270,103
	$ 525,322	$ 512,559

	October 27, 1984	October 29 1983
	(Thousands of Dollars)	
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES		
Notes payable	$ 187	$ 469
Accounts payable	43,694	41,640
Accrued expenses	16,905	15,955
Employee compensation	42,445	56,141
Taxes other than federal income taxes	9,652	9,658
Dividends payable	2,498	2,402
Federal income taxes	5,298	9,856
Current maturities of long-term debt	25,390	292
TOTAL CURRENT LIABILITIES	146,069	136,413
LONG-TERM DEBT — less current maturities — Note C	56,695	82,164
OTHER LONG-TERM LIABILITIES	967	
DEFERRED INCOME TAXES — Note E	38,229	30,121
STOCKHOLDERS' INVESTMENT		
Common Stock, par value $.9375 a share — authorized: 1984-24,000,000 shares; 1983-12,000,000 shares, issued — 9,606,516 shares	9,006	9,006
Additional paid-in capital	2,761	2,761
Earnings reinvested in business	271,595	252,094
	283,362	263,861
	$ 525,322	$ 512,559

See notes to financial statements.

STATEMENTS OF EARNINGS AND EARNINGS REINVESTED IN BUSINESS

GEO. A. HORMEL & COMPANY

	Fiscal Year Ended **October 27, 1984**	October 29, 1983	October 30, 1982
	(Thousands of Dollars)		
Sales, less returns and allowances	**$1,454,527**	$1,417,705	$1,426,596
Costs and expenses:			
Cost of products sold	**1,193,684**	1,180,457	1,217,002
Selling and delivery	**168,169**	148,310	141,654
Administrative and general	**29,474**	27,816	25,486
Other expense (income)	**(1,151)**	(3,684)	(4,193)
Interest	**11,069**	14,039	1,559
	1,401,245	1,366,938	1,381,508
EARNINGS BEFORE INCOME TAXES	**53,282**	50,767	45,088
Provision for income taxes — Note E	**23,790**	22,870	17,037
NET EARNINGS	**29,492**	27,897	28,051
Earnings reinvested in business — beginning of year	**252,094**	233,803	214,974
Cash dividends on Common Stock (Per share: 1984-$1.04; 1983-$1.00; 1982-$.96)	**(9,991)**	(9,606)	(9,222)
EARNINGS REINVESTED IN BUSINESS — END OF YEAR	**$ 271,595**	$ 252,094	$ 233,803
EARNINGS PER SHARE	**$ 3.07**	$ 2.90	$ 2.92

See notes to financial statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

GEO. A. HORMEL & COMPANY	October 27, 1984	October 29, 1983	October 30, 1982
		Fiscal Year Ended (Thousands of Dollars)	
Cash from operations:			
Net earnings	$ 29,492	$ 27,897	$ 28.051
Items not requiring cash:			
Depreciation	27,056	26,410	17.587
Deferred taxes	8,108	7,883	17,271
TOTAL FUNDS FROM OPERATIONS	64,656	62,190	62.909
Working capital changes increasing (decreasing) cash:			
Accounts receivable	(5,376)	359	(3,856)
Inventories	(25,146)	5,262	(5.544)
Other current assets	2,394	(157)	(3.824)
Current liabilities, except for debt changes	(14,738)	3,333	5.240
	(42,866)	8,797	(7,984)
TOTAL CASH FROM OPERATIONS	21,790	70,987	54,925
Financing activities:			
Decrease in notes payable and long-term debt	(204)	(8,149)	22,358
Dividends paid on Common Stock	(9,895)	(9,510)	(9,126)
	(10,099)	(17,659)	13,232
Investment in long-term assets:			
Purchases of property, plant and equipment	(21,529)	(15,709)	(66,344)
Carrying value of disposals of property, plant and equipment	647	443	886
Purchase of Farm Fresh Catfish Co. Inc. (excluding net current assets of $139,000):			
Property, plant and equipment		(4,563)	
Long-term debt assumed		2,246	
		(2,317)	
Decrease (increase) in investments and other assets	1,648	(779)	(572)
	(19,234)	(18,362)	(66.030)
(DECREASE) INCREASE IN CASH AND SHORT-TERM MARKETABLE SECURITIES	$ (7,543)	$ 34,966	$ 2,127

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

GEO. A. HORMEL & COMPANY

OCTOBER 27, 1984

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The financial statements include the accounts of Geo. A. Hormel & Company and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's cost therein.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 4% of sales.

Inventories: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Oil and Gas Programs: Investments and other assets include $3,185,000 and $5,524,000 as of October 27, 1984 and October 29, 1983, respectively, representing investments in various oil and gas development ventures.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets, primarily on a straight-line basis.

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation and interest for tax and financial reporting purposes. Deferred income taxes are not provided on the undistributed earnings of the Company's Domestic International Sales Corporation (DISC) as the Company believes that those earnings will remain reinvested through December 31, 1984. Qualified accumulated DISC earnings at that date will be permanently exempt from federal income taxes. Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year.

Reclassifications: Certain prior years' balances have been reclassified to conform with the 1984 classifications.

Fiscal Year: The Company's fiscal year ends on the last Saturday in October.

NOTE B — INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately $32,700,000 at October 27, 1984, $25,300,000 at October 29, 1983 and $24,400,000 at October 30, 1982, are stated at cost determined by the last-in, first-out method, and are $16,300,000, $16,400,000, and $17,700,000 lower in the respective years than such inventories determined under the first-in, first-out method.

NOTE C — LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consists of:	October 27, 1984	October 29, 1983
	(Thousands of Dollars)	
Three-Year Extendible Notes	$ 50,000	$ 50,000
9% notes — due 1985	25,000	25,000
Capitalized leases related to Industrial Revenue Bonds	7,085	7,456
	82,085	82,456
Less current maturities	25,390	292
	$ 56,695	$ 82,164

On September 1, 1982, the Company issued $50,000,000 of Three-Year Extendible Notes at an initial interest rate of 13.25%. The Company can adjust the rate on September 1 in each of the years 1985, 1988 and 1991 ("adjustment dates") to a rate no lower than 102% of the Three-Year Treasury Rate. The notes are redeemable at the option of the Company or the holder, in whole or in part at 100% of their principal amount plus accrued interest on each of the "adjustment dates" shown above. The notes will mature on September 1, 1994, if not previously redeemed.

The note agreements contain certain provisions and restrictions relating to limitations on liens sale and leaseback arrangements, and funded debt. The Company is in compliance with these covenants at October 27, 1984.

At October 27, 1984, the Company had unused lines of credit of $16,750,000 for short-term borrowing. Generally for borrowings under each line of credit to a stated amount the Company maintains average compensating balances, based upon bank ledger balances adjusted for uncollected funds, equal to 5% of the banks' commitments plus 5% of borrowings. A fixed fee is paid for the availability of each credit line above the stated amount. Based upon total bank commitments at October 27, 1984, the Company should maintain average compensating balances of approximately $392,000, which stated in terms of the Company's book balances is approximately $2,035,000. The difference is attributable to uncollected funds. During the year ended October 27, 1984, the Company maintained average collected balances of approximately $481,000 (all of which relates to its average unused lines of credit). Compensating balances are not restricted as to withdrawal.

Maturities of long-term debt for the five fiscal years subsequent to October 27, 1984 are as follows: 1985 — $25,390,000; 1986 — $413,000; 1987 — $950,000; 1988 — $215,000; 1989 — $435,000.

NOTE D — PENSION PLANS

Contributions to the Company's pension plans for 1984, 1983 and 1982 were $13,040,000, $16,850,000 and $17,900,000, respectively. At October 30, 1982, the plans recognized the cumulative effect of favorable investment performance in excess of actuarial assumptions. The gain will be recognized over ten years and reduced the 1983 contribution by $1,700,000. At October 29, 1983, the plans changed certain actuarial assumptions to more closely reflect actual experience, including interest rate (increased from 7% to 8.5%) and mortality. The unfunded accrued liability was also recalculated to better relate it to future normal cost. The net effect of these changes was to reduce the actuarial value of accumulated plan benefits at October 29, 1983 by $14,700,000 and the 1984 contribution by $3,200,000.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Company's plans as of the latest valuation dates were:

	October 29, 1983	October 30, 1982
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 238,039	$ 254,537
Non-vested	5,971	9,479
	$ 244,010	$ 264,016
Net assets available for benefits	$ 239,559	$ 211,231

NOTE E — INCOME TAXES

The components of the provision for income taxes are as follows:

	1984	1983	1982
	(Thousands of Dollars)		
Current:			
U.S. Federal	$ 13,864	$ 13,319	$ (195)
Foreign	64	175	55
State	1,838	1,493	(94)
	15,766	14,987	(234)
Deferred:			
U.S. Federal	7,431	7,313	15,878
State	593	570	1,393
	8,024	7,883	17,271
	$ 23,790	$ 22,870	$ 17,037

Included in the provision for deferred federal income taxes is the effect of timing differences for depreciation (1984 — $8,525,000; 1983 — $9,018,000; 1982 — $9,180,000) and interest costs (1984 — $(634,000); 1983 — $(591,000); 1982 — $4,995,000).

Income taxes have not been provided on pretax earnings of $2,500,000 accumulated in the Company's Domestic International Sales Corporation (DISC) through 1984.

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows:

	1984	1983	1982
U.S. statutory rate	**46.0%**	46.0%	46.0%
State taxes on income, net of federal tax benefit	**2.5**	2.2	1.6
Investment tax credits	**(2.8)**	(3.7)	(11.9)
All other, net	**(1.1)**	0.5	2.1
Effective tax rate	**44.6%**	45.0%	37.8%

NOTE F — CAPITALIZED INTEREST

Interest costs of $10,953,000 incurred during fiscal 1982 were capitalized as part of the cost of newly constructed manufacturing facilities. No interest costs were capitalized in 1983 or 1984.

NOTE G — ACQUISITION

On March 1, 1983, the Company acquired certain assets and liabilities of Farm Fresh Catfish Company, Inc. for $2,500,000. The acquisition was accounted for as a purchase.

NOTE H — LEASES

Rental expense and future lease commitments are not material.

NOTE I — CONSTRUCTION IN PROGRESS

The estimated costs to complete construction in progress at various locations at October 27, 1984 are approximately $11,469,000.

NOTE J — QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 27, 1984 and October 29, 1983.

1984	Net Sales	Gross Profit	Net Earnings	Earnings Per Share
	(Thousands of Dollars)			
First Quarter	**$ 352,440**	$ 70,724	$ 11,073	$ 1.15
Second Quarter	**342,411**	59,713	5,628	.59
Third Quarter	**356,409**	59,809	5,207	.54
Fourth Quarter	**403,267**	70,597	7,584	.79
	$ 1,454,527	$ 260,843	$ 29,492	$ 3.07
1983				
First Quarter	$ 330,255	$ 51,316	$ 5,459	$ .57
Second Quarter	342,153	50,601	3,993	.41
Third Quarter	356,728	58,380	5,772	.60
Fourth Quarter (Note 1)	388,569	76,951	12,673	1.32
	$ 1,417,705	$ 237,248	$ 27,897	$ 2.90

Note 1: The estimated LIFO provision accrued through the third quarter of 1983 was reversed in the fourth quarter, increasing net earnings by $960,000. Reduced operating costs resulting from improved productivity and lower costs of packages and direct supplies eliminated the cost increases in inventoriable expenses anticipated for the year.

NOTE K — SUPPLEMENTAL INFORMATION ON THE EFFECTS OF INFLATION (Unaudited)

The following supplemental information is presented to comply with Statement No. 33 issued by the Financial Accounting Standards Board (FASB), "Financial Reporting and Changing Prices". The disclosures were developed for the purpose of measuring the effect of inflation on the operations of companies.

It is important that financial statement users understand that the disclosures attempt to measure the effect of inflation on Hormel, yet they are experimental in nature and should be used with caution in making comparisons with other companies since assumptions and methodology used in preparing the disclosures may vary among companies.

Traditional financial statements prepared using generally accepted accounting principles are based on transactions entered into and completed using the historical dollar and are not designed to show all the effects of inflation. The disclosures of FASB Statement No. 33 require adjusting the historical statement of earnings and certain assets and liabilities by two different methods: current cost and constant dollar.

The current cost method used by the Company values fixed assets and inventories presently owned at their current cost at year-end. Depreciation expense and cost of products sold are based on these values. The constant dollar method values fixed assets and inventories by applying the Consumer Price Index to the historical cost of fixed assets and inventories to bring the cost up to average fiscal 1984 purchasing power. Depreciation expense and cost of products sold are based on these restated values.

The provision for income taxes included in the supplemental statement of earnings is the same as reported in the historical statement of earnings. Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. During periods of persistent inflation and rapidly increasing prices, such a tax policy frequently results in effective tax rates in excess of statutory rates.

Earnings Adjusted for Inflation for the Year Ended October 27, 1984	**Current Cost**	**Constant Dollar**
	(Thousands of Dollars)	
Earnings before taxes as reported in the historical Statement of Earnings	$ 53,282	$ 53.282
Excess of adjusted cost of products sold over historical cost of products sold		(2.795)
Excess of adjusted depreciation over historical depreciation	(6,415)	(7.774)
Adjusted earnings before income taxes	46,867	42.713
Provision for income taxes as reported in the historical Statement of Earnings	(23,790)	(23.790)
Adjusted earnings	$ 23,077	$ 18.923
Adjusted earnings per share	$ 2.40	$ 1.97
Adjusted net assets at year-end	$ 362,370	$ 371.915

ADJUSTED EARNINGS — CURRENT COST

Earnings adjusted for the current cost method are $23,077,000 compared to historical earnings of $29,492,000. The impact of inflation on the Company's earnings measured under the current cost method results primarily from the excess of current cost depreciation over historical depreciation. The cost of products sold is the same under current cost and historical cost methods because of the rapid turnover of meat inventories and the application of the LIFO inventory method for all other inventories.

ADJUSTED EARNINGS — CONSTANT DOLLAR

The adjusted earnings for constant dollar method are $18,923,000 and differ from adjusted earnings for the current cost method because the historical cost of products sold must be adjusted by the Consumer Price Index to reflect average fiscal 1984 purchasing power. This adjustment does not present true market conditions since selling prices of the Company's products are responsive to current costs.

Purchasing Power Gain Due to Net Monetary Liabilities Position

During fiscal 1984, the Company maintained a net monetary liability position, which means monetary liabilities (current liabilities and long-term debt) exceeded monetary assets (cash, accounts receivable and marketable securities). With prices increasing during 1984, the net monetary liability position resulted in a gain of general purchasing power of $4,502,000.

Increases in Current Cost of Inventories and Properties

Under current cost accounting, increases in specific prices of inventories and properties held during the year (including realized gains and losses on those sold or used) are not included in earnings but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and properties. The increase in current cost for fiscal 1984 consists of the following amounts:

	(Thousands of Dollars)
Increase during 1984 in the value of inventories and property, plant and equipment in constant dollars	$18,639
Increase in current cost during 1984	5,731
Excess of increase in general price level over increase in current cost during 1984	$12,908

On October 27, 1984, current cost of inventory was $129,891,000 and current cost of property, plant and equipment, net of accumulated depreciation, was $332,599,000. Historical costs were $115,118,000 and $263,929,000, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

COMPARISON OF SELECTED SUPPLEMENTAL FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION

	Year Ended in October				
	1984	1983	1982	1981	1980
	(Thousands of Dollars)				
Net sales:					
Historical	$1,454,527	$1,417,705	$1,426,596	$1,433,966	$1,321,966
Constant dollars	1,454,527	1,476,458	1,535,914	1,650,797	1,687,814
Earnings:					
Historical	29,492	27,897	28,051	27,283	32,758
Constant dollars	18,923	17,400	25,064	20,969	29,237
Current cost	23,077	22,581	27,972	29,058	38,799
Earnings per share:					
Historical	3.07	2.90	2.92	2.84	3.41
Constant dollars	1.97	1.81	2.61	2.18	3.04
Current cost	2.40	2.35	2.91	3.03	4.03
Excess of increase in general price level over increase in specific prices of inventories and properties	12,908	2,958	5,295	23,180	11,048
Purchasing power gain from holding net monetary liabilities during the year	4,502	4,111	5,602	9,209	4,087
Net assets at year-end:					
As reported	283,362	263,861	245,570	226,741	208,296
Constant dollars	371,915	361,358	342,227	320,027	317,332
Current cost	362,370	353,735	340,360	321,131	317,123
Cash dividends per share:					
Historical	1.04	1.00	.96	.92	.84
Constant dollars	1.04	1.04	1.03	1.06	1.07
Market price per share at year-end:					
Historical	30.12	28.25	23.88	15.75	19.12
Constant dollars	29.53	28.71	25.09	17.28	23.28
Average consumer price index	309.1	296.8	287.1	268.5	242.1

ACCOUNTANTS' REPORT

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of financial position of Geo. A. Hormel & Company as of October 27, 1984 and October 29, 1983, and the related statements of earnings and earnings reinvested in business and changes in financial position for each of the three years in the period ended October 27, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Geo. A. Hormel & Company at October 27, 1984 and October 29, 1983, and the results of its operations and changes in its financial position for each of the three years in the period ended October 27, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Minneapolis, Minnesota
November 20, 1984

Ernst & Whinney

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Liquidity and Sources of Capital

Geo. A. Hormel & Company generated working capital from operations of $64,656,000 in 1984 compared to $62,190,000 in 1983 and $62,909,000 in 1982. These funds allowed the Company to continue its ongoing policy of automation and renovation of production and distribution facilities.

Working capital from operations, plus the sale of short-term commercial paper, which was replaced, in part, by $50,000,000 of Three-Year Extendible Notes issued on September 1, 1982, have been the principal sources of funds to finance the large capital expenditures during the past three years. A revolving credit/term loan agreement with three banks, which was reduced to $52,500,000 in January, 1983, was terminated completely on January 15, 1984, as current working capital and anticipated funds from operations were adequate to meet requirements for funds in the current year.

The Company plans to repay the $25,390,000 current maturities of long-term debt due in 1985. Financial resources and anticipated funds from operations are expected to be adequate to meet cash requirements in 1985 while providing the strength, if needed, to take advantage of new business opportunities that may arise. The ratio of current assets to current liabilities improved to 1.72 at the end of 1984. This compared to 1.70 at the end of 1983 and 1.52 at the end of 1982, providing further evidence of this strength.

Additions to property, plant and equipment were $21,529,000 in 1984, compared to $20,272,000 in 1983, and the historical highs of $66,344,000 and $82,522,000 in 1982 and 1981, respectively. Capital expenditures in 1984 were for the continued program of modernization and automation of manufacturing facilities at Austin, Minn.; Ottumwa, Iowa; Fremont, Neb.; Atlanta, Ga., and Farm Fresh Catfish Company at Lake Village, Ark.

A discussion of the estimated impact of inflation on the Company's financial statements may be found on pages 43 through 45, which contain supplementary information on inflation required by Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices."

Results of Operations

Sales and gross earnings in the meat packing industry are significantly influenced by the fluctuating cost of livestock and consumer demand for meat products. The following discussion analyzes material changes in the major items:

Fiscal Years 1984 and 1983

Sales increased by $36,822,000, or 2.6 percent, over 1983. Tonnage increased by 5.0 percent. The sales increase of value-added, consumer-branded products more than offset the dollar sales reduction resulting from the termination of a custom beef slaughtering agreement at Huron, S.D.; discontinuance of a second-shift hog slaughter line at the Austin plant, and a six-week interruption of pork processing operations in Ottumwa.

The increase in sales tonnage and the corresponding smaller increase in sales dollars reflect the decline in prices paid by consumers for Company products. These lower prices were a result of decreased raw material prices for the year, continued productivity improvement through technology and an ongoing cost reduction effort. These factors contributed to a gross margin increase of $23.595,000.

In the last quarter of the year, two-year labor contracts were signed by all major Company locations with the exception of the Austin plant. These settlements, although lower than previous wage rates, are still among the highest in an industry that has experienced a decline in demand for its products for the third consecutive year and has seen the entry of a group of low-cost producers place even greater competitive pressure on already unsatisfactory margins in pork operations. Continued emphasis on technology and automation, combined with growth and promotion of brand-recognized product lines, should enable the Company to compete effectively within the changing industry environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(Continued)

Fiscal 1984 interest expense decreased to $11,069,000 from $14,039,000. The reduction in interest reflects the increase of working capital to fund operations and the absence of major projects, such as the new Austin plant, which required substantial short-term borrowing in prior years

The effective tax rate in 1984 declined to 44.6 percent from 45 percent in 1983 due to increased Domestic International Sales Corporation (DISC) earnings and final adjustments to the income tax provision resulting from the conclusion of normal federal income tax audits for fiscal years 1979 and 1980 These adjustments, which lowered the effective tax rate, were partially offset by a reduction in investment tax credit.

Depreciation in 1984 increased to $27,056,000 from $26,410,000 in 1983. The new Austin plant and the Company's commitment to capital expenditures for automation and renovation of existing facilities are primarily responsible for this increase.

Other income decreased to $1,151,000 from $3,684,000 in 1983. The 1983 income included a settlement of $1,100,000 related to the Corrugated Container Antitrust Litigation. In 1984, an increase in interest and investment income was offset by a revaluation of oil and gas investments.

Advertising expenses in 1984 increased by $14,329,000, or 43.9 percent, over 1983, further emphasizing the Company's long-term strategy to increase sales of brand-identified products

Fiscal Years 1983 and 1982

Sales decreased by $8,891,000, or 0.6 percent, below 1982. The decrease was experienced despite a 1.8 percent increase in tonnage, reflecting the decline in prices paid for Company products. These lower prices were a result of decreasing raw material prices throughout the year which reduced the cost of products sold to $1,180,457,000 from $1,217,002,000. The declining prices, combined with continued improved productivity through technology and a strong cost reduction effort, contributed to a gross margin increase of $27,654,000.

Fiscal 1983 interest expense increased to $14,039,000 from $1,559,000, due principally to the capitalization in 1982 of $10,953,000 interest cost relating to construction of the new Austin plant. This plant was completed in late 1982 and, therefore, no interest costs were capitalized in 1983.

Income taxes increased in 1983, reflecting a continued reduction of investment tax credit relating to the record investment years of 1982 and 1981. The increase in the effective tax rate in 1983 to 45 percent from 37.8 percent the previous year was due principally to the investment tax credit reduction.

Depreciation in 1983 increased to $26,410,000 from $17,587,000. The completion of the new Austin plant and the Company's commitment to capital expenditures for automation and renovation of existing facilities resulted in increased depreciation expense.

Other income decreased to $3,684,000 in 1983 from $4,193,000 in 1982. The 1983 income included a settlement of $1,100,000 related to the Corrugated Container Antitrust Litigation with the remainder being interest and investment income.

Advertising costs rose $8,237,000, or 33.8 percent, over 1982, further emphasizing the Company's strategy to increase sales of brand-identified products.

RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The accompanying financial statements were prepared by the management of Geo. A. Hormel & Company which is responsible for their integrity and objectivity. These statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and, as such, include amounts that are based on our best estimates and judgments.

Geo. A. Hormel & Company has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit and well-qualified personnel.

These financial statements have been examined by Ernst & Whinney, independent certified public accountants, and their report appears on page 45. Their examination is conducted in accordance with generally accepted auditing standards and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent public accountants, management and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Whinney and our internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting

R.W. Schlange

R.W. SCHLANGE
Controller

R.L. Knowlton

R.L. KNOWLTON
Chairman of the Board
President and Chief Executive Officer

PRINCIPAL BRANDS OF GEO. A. HORMEL & COMPANY

As a diversified food company, Geo. A. Hormel & Company manufactures an extensive array of consumer branded items. Many of the major product lines offered for retail trade are listed below. In addition, Hormel produces a large number of other retail products, a wide assortment of food service entrees and a complete line of industrial products and livestock feeds.

Prepared Foods

SPAM luncheon meat **Hormel** chopped ham **Hormel** bacon bits **Hormel** chunk ham, chicken and turkey **Dinty Moore** stew **Dinty Moore** roast beef with gravy **Hormel** corned beef **Hormel** chili **Dinty Moore** corned beef **Mary Kitchen** hash **Hormel** tamales **Hormel** pigs feet, hocks and tidbits **Hormel** Vienna sausage Deviled **SPAM** luncheon meat **Hormel** meat spreads **Short Orders** individual canned servings **Old Smokehouse** Bar B Q sauce **Great Beginnings** meat chunks and gravy **Black Label** ham **EXL** ham **Holiday Glaze** ham **Hormel** ham, sausage and ham and cheese patties **Hormel** pork luncheon meats

Frozen Foods

Hormel corn dogs **Tater Dogs** batter wrapped wieners **Hormel** burritos, tamales and enchiladas **Hormel** single serve frozen entrees **Gold 'N Lite** precooked breaded snacks **Farm Fresh** catfish fillets **Catfish Bobbers** catfish snacks **Hormel** apple and cherry dulcita desserts

Industrial Products

Light & Lean sugar free gelatin desserts **Light & Lean** sugar free hot cocoa mix **Fiesta** hot cocoa mix **Cool 'N Fresh** pre-sweetened powdered drink mixes and iced tea mix

Meat Products

Cure 81 ham **Curemaster** ham **Light & Lean** ham **Black Label** bacon **Range Brand** bacon **Old Smokehouse** bacon **Wranglers** bacon **Red Label** bacon **Hormel** wieners and franks **Wranglers** smoked franks **Frank 'N Stuff** franks with **Hormel** chili **Little Sizzlers** pork sausage **Hormel** Brown 'N Serve sausage **Old Smokehouse** beef sausage **Homeland** hard salami **Di Lusso** genoa **San Remo Brand** genoa **Saporito** prosciutti **Rosa Grande** pepperoni **Hormel** pepperoni **Leoni Brand** pepperoni **Light & Lean** luncheon meats **Super Select** pork and boneless pork **Hormel** deli meats **Dold** bacon and ham **Butcher Boy** ham **He-Man** bacon and ham **Belmont Brand** bacon and ham **Harvest Brand** bacon and ham

Food Service

Entree De-Light frozen main dishes **Fast 'N Easy** precooked bacon **Rosa Grande** lasagna **Layout Pack** wide shingled bacon **Hormel** single pack entrees

Lards and Shortenings

Hormel lard **Hormel** all-purpose shortening **Hormel** margarine **Hormel** vegetable margarine **Tuff Fry** liquid shortening.